

# Clean Power Hydrogen plc

Annual Report & Accounts 2022





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# Chairman's Statement

FOR THE YEAR ENDED 31 DECEMBER 2022

**I am delighted to present the inaugural Annual Report of Clean Power Hydrogen plc ("CPH2" or the "Company").**

2022 was a transformational year for CPH2. The IPO in February 2022, raising £30m and introducing new institutional and strategic investors, was a significant achievement, especially in the context of the market conditions that existed at the time. The funding received has enabled us to accelerate our activities in pursuit of our strategic objectives.

We are proud to be at the core of the green hydrogen industry and its contribution towards the net zero transition and, despite 2022 being a very difficult year for local communities in the UK and global economies, the market opportunity for hydrogen has never been stronger and more real. We see this emphasised by the Inflation Reduction Act in the United States, the EU's Green Industrial Plan and more recently in the UK Government's "Powering Up Britain" Strategy.

The Company's aim is to become a globally recognised and highly profitable designer, manufacturer and licensor of its Membrane-Free Electrolyser ("MFE"), with at least a 4GW production capacity by 2030.

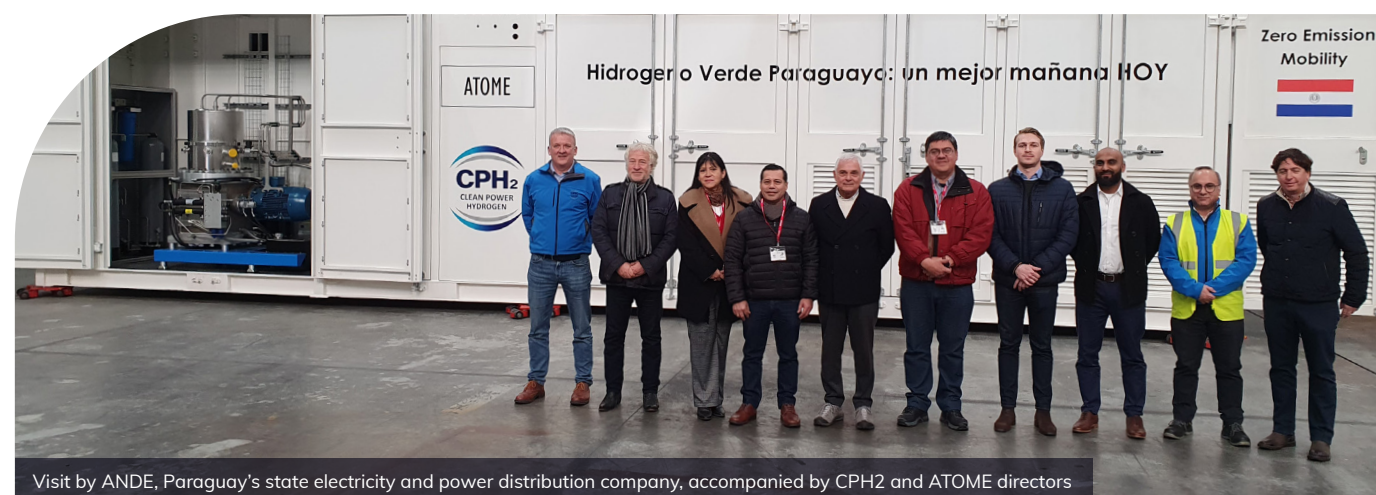
We made strong commercial progress over the last twelve months, signing three partnerships to licence manufacture in Germany, New Zealand, Ireland and Oman, and to sell across multiple countries in Europe, Middle East and Australasia. This lays the groundwork for the rapid, controlled ramping up of our differentiated technology. Our commercial

strategy, underpinned by our strong IP, is a key differentiator from our competitors.

A decade of dedicated research and product development has resulted in the creation of a unique technology which is designed to deliver a modular solution to the hydrogen production market in a cost-effective, scalable, resilient, reliable and sustainable way.

During 2022, the CPH2 team made good progress in our transition from an R&D technology company towards a commercial manufacturing operation. The delays we incurred and reported have been frustrating and we are working hard to recover lost ground. In the end the delays have, however, also proved to be a positive learning event for the Company; as a result, we have significantly improved our internal controls, project and risk management, and engineering discipline, whilst making strong and necessary improvements in the calibre of our senior management and respective teams. I am confident that we are on a robust and disciplined engineering pathway to address the issues, which we expect to resolve in the near term.

The Company has a strong balance sheet with over £15m in cash and term deposits as at 31 December 2022 as well as further realisable assets of £3m. Net assets as at 31 December 2022 was £25.2m. Prudent and careful cash management will continue to ensure funds are well spent. The Company incurred a loss of £3.5m after tax for the 2022 financial year and invested £4.3m into development activities.



## Board

This being the inaugural year of the parent company, I take this opportunity to recognise and welcome fellow Directors. I am pleased to report we have a strong, active and engaged Board with a passion for CPH2 to reach its full potential. Clive Brook, who was instrumental to the successful IPO in February 2022, retired from CPH2 during the year and I would personally like to thank him for all his hard work and dedication. We appointed James Hobson as Chief Financial Officer in December 2022 and would like to welcome him to his post.

I am pleased to report that the governance of the Group has strengthened markedly during the year, with a focused effort leading up to the IPO and beyond. Governance will continue to improve in line with CPH2's growth and taking into account its size and resources.

CPH2 is at the heart of the green hydrogen industry and is playing a significant part in the drive towards clean energy and net zero targets, making ESG a key factor in our investor proposition. We look forward to publishing our ESG objectives and strategy in the coming twelve months.

## Outlook

We are well positioned to leverage our technology and commercial strategy differentiators to meet our strategic objectives. Our focus is on the completion and acceptance testing of the de-rated MFE110, which we expect to be a catalyst for the finalisation of the MFE220 1MW electrolyser. This in turn will be the platform for which the Company expects to achieve commercial success, whilst continually developing and enhancing our technology. Once our robust technology pathway is concluded, which should be in the near term, we have great confidence in the demand for our product, given the sales channels we have developed over the last 12 months.

Finally, I would like to thank our shareholders, the Board, CPH2's valued employees and our partners for their continued support and passion.

**Christopher Train**  
Chair





# Chief Executive's Review

The past year has seen significant commercial and operational progress for CPH2. It began with final preparations for our IPO and the admission of the Company's shares to trading on the AIM market at a time when the whole technology sector was in neutral to negative territory and the Russian army was camped on the border of Ukraine. I would like to thank all those involved in the IPO process which saw CPH2's shares successfully admitted to trading on the London Stock Exchange; it is testament to the skill and dedication of everyone involved that CPH2 was one of the few successful IPOs on the AIM market in 2022.

## IPO

The Company raised gross proceeds of over £30m in the IPO in February 2022. The IPO process started nine months prior to this and I would like to thank the advisers to the Company, Browne Jacobson, Mazars and Cenkos Securities, and particularly Clive Brook, our former CFO, who was instrumental in its success.



## People

Our people are an incredibly important part of our organisation. Prior to the IPO, we were successful at recruiting Chris Train as the Company's Chair, Natalie Fortescue as Senior Non-Executive Director, and persuading Rick Smith to step up from the Group Operating Board to the CPH2 Board. Clive Brook and I filled the executive roles.

Significant steps have been made to build out the team in a measured way as we look to continue to improve the leadership, capacity and capabilities of CPH2.

James Hobson joined the Company in December 2022 as Group CFO and as a CPH2 Director, Arash Selahi joined as Head of Operations and has subsequently been appointed Chief Operating Officer for the Group. Senior leadership in Engineering and R&D has been significantly upgraded with Hugh Reynolds, of Fabrum New Zealand, stepping in as interim Chief Technology Officer whilst waiting for the recruitment and arrival of Paul Cassidy who joined as permanent Chief Technology Officer in March 2023.

Clive Brook retired as a CPH2 Director during the year but remains as a non-executive director of CPH2's trading subsidiary. Nigel Williamson retired as an employee but also remains as a non-executive director of CPH's trading subsidiary whilst acting as a consultant.

The real backbone of the business, though, are the unsung heroes whose daily commitment and dedication does not get the deserved attention. We have grown the overall workforce from 31 at the start of the year to 55 staff at the end, which includes 20 in Engineering and R&D, and 22 in Operations, Procurement and Commissioning. The remaining staff are in business development, administration, support, and senior management.

I want to show my appreciation and thanks to all our staff who are helping to build CPH2 into an international business.

## Market

The macro picture for green hydrogen continues to show huge potential. The twin crises of global warming and energy security are supportive for our market. The drive to net zero and the realisation that energy security is no longer a given make headlines daily. Global initiatives to address these issues are being prioritised by both governments and corporations alike.

CPH2 is uniquely placed to help meet the subsequent demand for a reliable, cheap and sustainable fuel. The Company remains fully committed to being able to make a tangible difference and to leave a legacy that is measured in societal and environmental benefit.

Our strategic aim is to have 4GW of annual production by the end of 2030. Our patented technology means we can license our production to third parties. Of the 4GW, we expect 1GW will be manufactured by CPH2 and 3GW will be manufactured under licence.

## Technology

As was reported during the year we have encountered scale up issues which have delayed the roll out of the technology. In late 2022 the Company completed a thorough analysis of the MFE220 design, from technological, operational and control perspectives, and successfully identified that a potential issue existed in the cryostat (the component enabling separation of hydrogen and oxygen using cryogenics). We made the decision to cease production until we had resolved the situation. This work has now, largely been completed including a redesign for new units which avoids the issue.

To ensure a robust development path in Q4 2022 we elected, with our customers' support, to repurpose three electrolyzers to build de-rated 0.5MW units ("MFE110") for development purposes and undertake a thorough testing regime both at CPH2 and then subsequently at customer sites. The design of the MFE110 was completed in Q1 2023 and we are currently testing the subsystems. We expect to have the full MFE110 units on test in the first half of 2023. Delivery of the MFE110 to customer sites and subsequent testing have been arranged with customers considering their timing requirements and are all scheduled to be completed in the second half of 2023.

Whilst this work is being undertaken, design modifications on the MFE220 has continued and the results from the MFE110 testing are expected to be accommodated into the final designs of the MFE220 for production. Most of the components with long lead times have already been procured for first MFE220's, allowing for quicker manufacturing build for the first MFE220's upon final design. As first announced in November 2022, we continue to expect the first MFE220's units to be manufactured, tested, and sent to customers for delivery against sales orders by the end of 2023. Following this the MFE110's will either be returned to CPH2 and repurposed or potentially sold to customers in situ.

The delays, and the impact on our commercial progress, have unquestionably been disappointing to all stakeholders concerned. However, our engineering discipline and focus has significantly improved as have our internal controls, project and risk management processes. As discussed above, a robust technology pathway has been implemented that encompasses both an element of retrofitting existing orders and improving the design for future orders. We are a lot stronger for what has been a difficult, but in the end positive, learning experience and from which we believe we will benefit from for years to come.

The MFE220 remains the core of our technology. The advantages of using membrane free electrolysis has been proven in our test unit that was previously deployed to Northern Ireland. We continue to invest in R&D as we look to improve overall efficiencies in every aspect of the system from stack performance right through to cryogenic separation, as well as reducing build costs.



# Chief Executive's Review

## Licensing and Manufacturing

It is our stated aim to get to 3GW of annual production through licensing and 1GW of production at CPH2 facilities by 2030 in accordance with our commercial strategy. Our unique and patented technology allows us to expand production quickly, utilising partners, with limited capital outlay through such deals.

During the last twelve months we signed the following licence and manufacturing agreements :

- **KCA Deutag** – Two-year licensing deal for the manufacture of MFE units in their Bad Bentheim facility in Germany. They will produce for orders from CPH2 as well as their own customers. Following the initial two-year period, they will also be able to manufacture in Oman, and sell exclusively to certain countries in the Middle East up to 2GW over a 10-year period. They will also manufacture and sell, on a non-exclusive basis, to their customers in Germany, Scotland, Denmark, and Azerbaijan up to 150MW per annum.
- **Fabrum** – 10-year licensing deal for the manufacture of MFE units in their Christchurch facility in New Zealand. This deal also encompasses a non-exclusive sales agreement for New Zealand and Australia, with no upper limit to manufacturing volumes.

- **GHFG** – 20-year licensing deal for the manufacture of MFE units in an Ireland facility for up to 2GW for their own use.

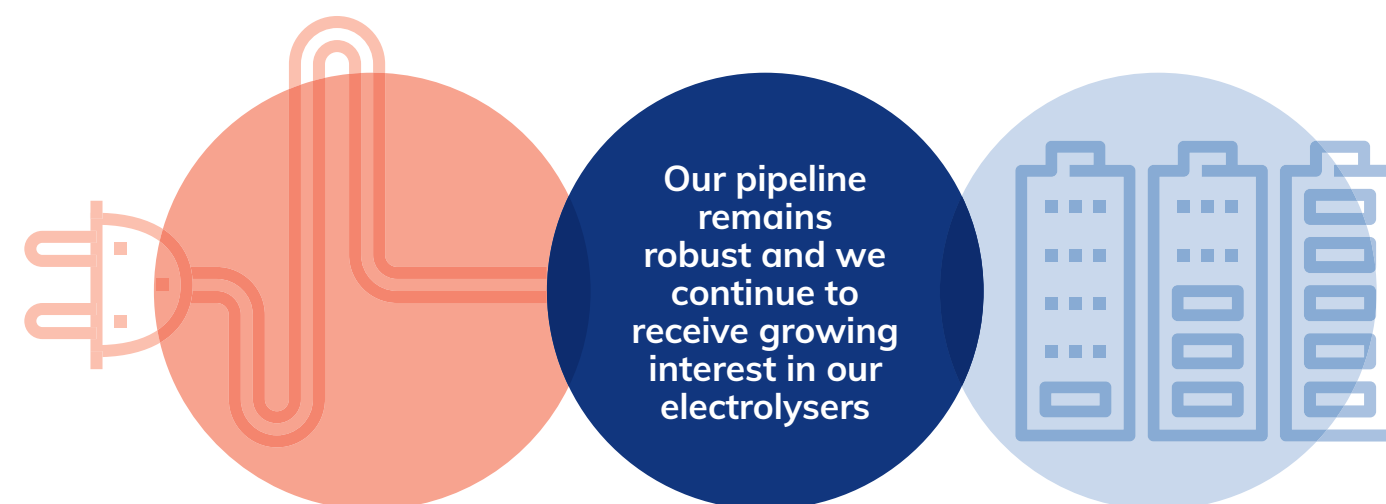
We will also continue to manufacture our own units and are targeting 1GW of annual production from CPH2 facilities:

- **Doncaster** – We will continue to build MFE units at our own facility in Doncaster. However, it is envisaged that Doncaster will, eventually, become the R&D centre as well as the manufacturing site for our heat exchangers and stacks.
- **Northern Ireland** – It is still our intention, subject to the relevant agreements being in place, to open a CPH2 run manufacturing site in Northern Ireland, where a number of potential sites have been assessed.

The combination of licensing deals and manufacturing agreements means we are well placed to meet future demand in a rapid, controlled, financially lean and de-risked manner. We have begun to see the positive output of our strategic decisions, with Fabrum receiving their first direct order under the manufacturing deal in March 2023 from Obayashi Corporation.



From L-R: Neil McKenzie and Steve Turner (Lagan MEICA Ltd), Mick Rich (CPH2) and Lilian Parkes (NI Water)



## Customers

The Company continues to receive strong interest in our MFE from new customers. Despite the loss of the Octopus contract that was due to be deployed in Q4 of 2022, we continue to receive support from the rest of our existing customers who have held firm with their commitments. We have communicated fully with them; they understand the issues and they are working with us to deliver their units on the revised schedules.

Currently we are preparing to deliver units to Northern Ireland Water, Fabrum in New Zealand, ATOME in Paraguay, and GHFG in Ireland. Fabrum placed a second order for a 1MW MFE220 for deployment in New Zealand to a customer developing a green hydrogen refuelling network. Following its IPO, ATOME placed an order for a 1MW MFE220 for their Paraguay mobility project. Paraguay has abundant renewable electricity from hydroelectric power. Their long-term plan is to develop green ammonia to turn into green nitrogen fertiliser to enable the country to become self-sufficient in this agricultural commodity.

Our pipeline remains robust and we continue to receive growing interest in our electrolyzers thanks in part to the sales channels we have developed over the last 12 months. The strong interest received gives us great confidence that we will receive numerous new orders from new and existing customers, once our technology pathway is concluded and have working units in the field in the second half of 2023.

## Outlook

As discussed above, our priority for 2023 is to rectify the scale up issues which in turn delayed the roll out of our technology and have working units in the field. The MFE110 design has been completed in Q1 2023 and subsystems are currently being tested. We expect that building and then testing the MFE110 in the first half of 2023 will be the precursor to final design of the MFE220. The completion and delivery of first customer orders should prove to be a catalyst for increased demand from existing and new customers, making the next 12 months a pivotal and exciting period for the Company.

With the groundwork set for manufacturing in Germany, New Zealand and Ireland, we will be supporting our licensing partners in preparing for their own production to begin first units in New Zealand and Germany by the end of 2023. Plans for increased manufacturing capacity within CPH2, potentially in Northern Ireland, will also be progressed.

We will continue to invest in R&D and upon the completion and testing the MFE110 followed quickly by the MFE220, work will turn to improving the operational efficiencies of the MFE220 and finalising the design of CPH2's 2MW MFE440 in 2024, which is expected to provide a step change in efficiency. Internally, we are looking to broaden the supply chain and develop our own systems, controls and capabilities.

I would like to take this opportunity to thank shareholders for their patient support and the fantastic team we have at CPH2 for their dedication, hard work, perseverance and passion.

**Jon Duffy**  
Chief Executive Officer

# Strategy & Business Model

CPH2 is a rapidly growing UK-based technology and manufacturing company which is focused on the commercial production of green hydrogen in a simple, safe, and sustainable manner using its IP-protected Membrane-Free Electrolyser ("MFE") technology. The Company is headquartered in Doncaster, UK, which is the site of its current manufacturing and research facilities.

We are passionate about green hydrogen as clean energy for the future and its mission is to become the leading developer and manufacturer of green hydrogen technologies in order to reduce the creation of harmful emissions.

This mission is supported by the Group's value pillars, which it has instilled in the business and its employees, and focus on acting with integrity, deploying expertise and remaining customer-centric at all times.

The production of hydrogen through our membrane-free electrolysis technology is central to the Company's proposition, which has demonstrated cost efficiencies, operational efficiencies and technological advantages over existing alternative hydrogen technology offerings in the sector. In addition, the absence of platinum group metals in the technology solves the long-term limitations in terms of cost or supply and reduces the carbon footprint of our technology, an issue faced by many other electrolyser technologies.

Our strategic objective is to deliver the lowest Levelised Cost of Hydrogen ("LCOH") in the market in relation to the production of green hydrogen, to reach 4GW of hydrogen production by 2030.

We have recognised that the development of green hydrogen globally will be fast-paced, and a substantial industry will be created. Whilst the fast-moving nature of the hydrogen sector presents significant opportunities, it also poses challenges for the Company to stay ahead of the curve.

To take advantage of the opportunities, to meet our strategic objectives, and being aware of the challenges in costs and risks in rapid scale-up, our business model is to capitalise on the Company's patent protected, differentiated technology by pursuing a two-pronged commercial strategy - licencing to acceptable manufacturing partners as well as our own in-house manufacturing.

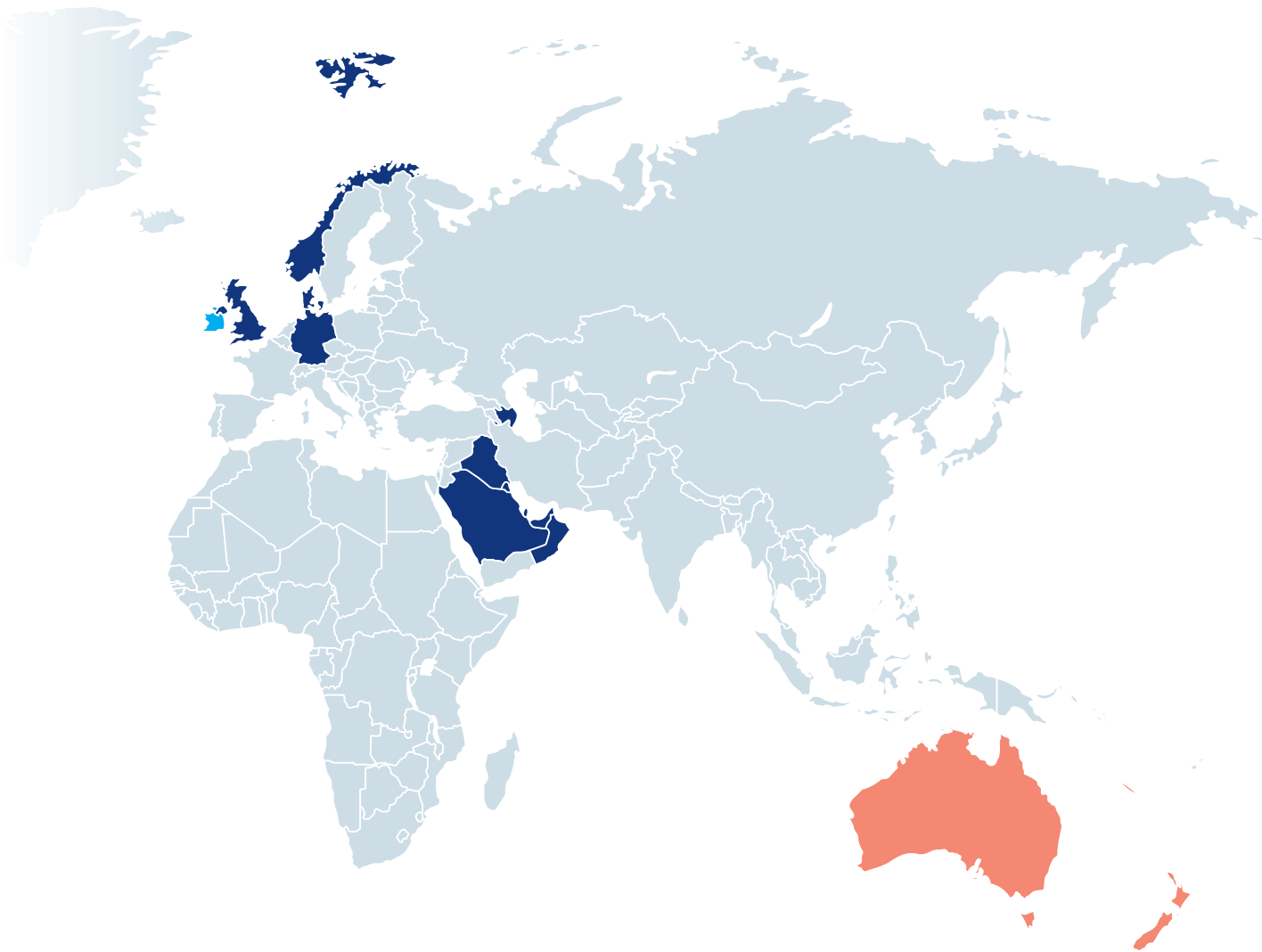
By leveraging the skills and capabilities of partners with substantial experience in manufacturing advanced engineering products, the supply of CPH2 electrolyzers to market can be accelerated at a pace not possible were we to manufacture only by ourselves, supporting the global energy transition.







In this way we can optimise the pace of growth required to meet the commercial opportunities available on a reduced capex and opex basis which de-risks the scale-up from a cash flow perspective. Risks involved in manufacturing scale up are substantially diversified, geographically and across multiple partners, with CPH2 focused on ensuring quality and reducing build cost through greater economies of scale in the supply chain.

The third key element of our business model is the continued focus on R&D to increase operational efficiencies, improve longevity and reliability of our products and further reduce build costs.



# Manufacturing Locations



	 Ireland
	 Scotland, Norway, Denmark, Germany, Oman, Saudi Arabia, United Arab Emirates, Qatar, Kuwait and Iraq
	 Australia and New Zealand



# Technology

CPH2 manufactures hydrogen production technology, including the unique Membrane-Free Electrolyser producing green hydrogen in a simple, safe, and sustainable manner, and at any scale.

A decade of dedicated research and product development has resulted in the creation of a technology which is designed to deliver a modular solution to the hydrogen production market in a cost-effective, scalable, reliable and long-lasting way.

The Membrane-Free Electrolyser in combination with cryogenic gas separation delivers pure hydrogen and pure oxygen in separate streams. When the electrolyser is supplied by renewable electricity (e.g. wind and solar) it delivers green hydrogen with a purity of up to 99.999% and medical grade oxygen. This approach to hydrogen generation is both unique and patented.

## Advantages of MFE technology

A Membrane-Free stack is a unique differentiated proposition with distinct advantages:

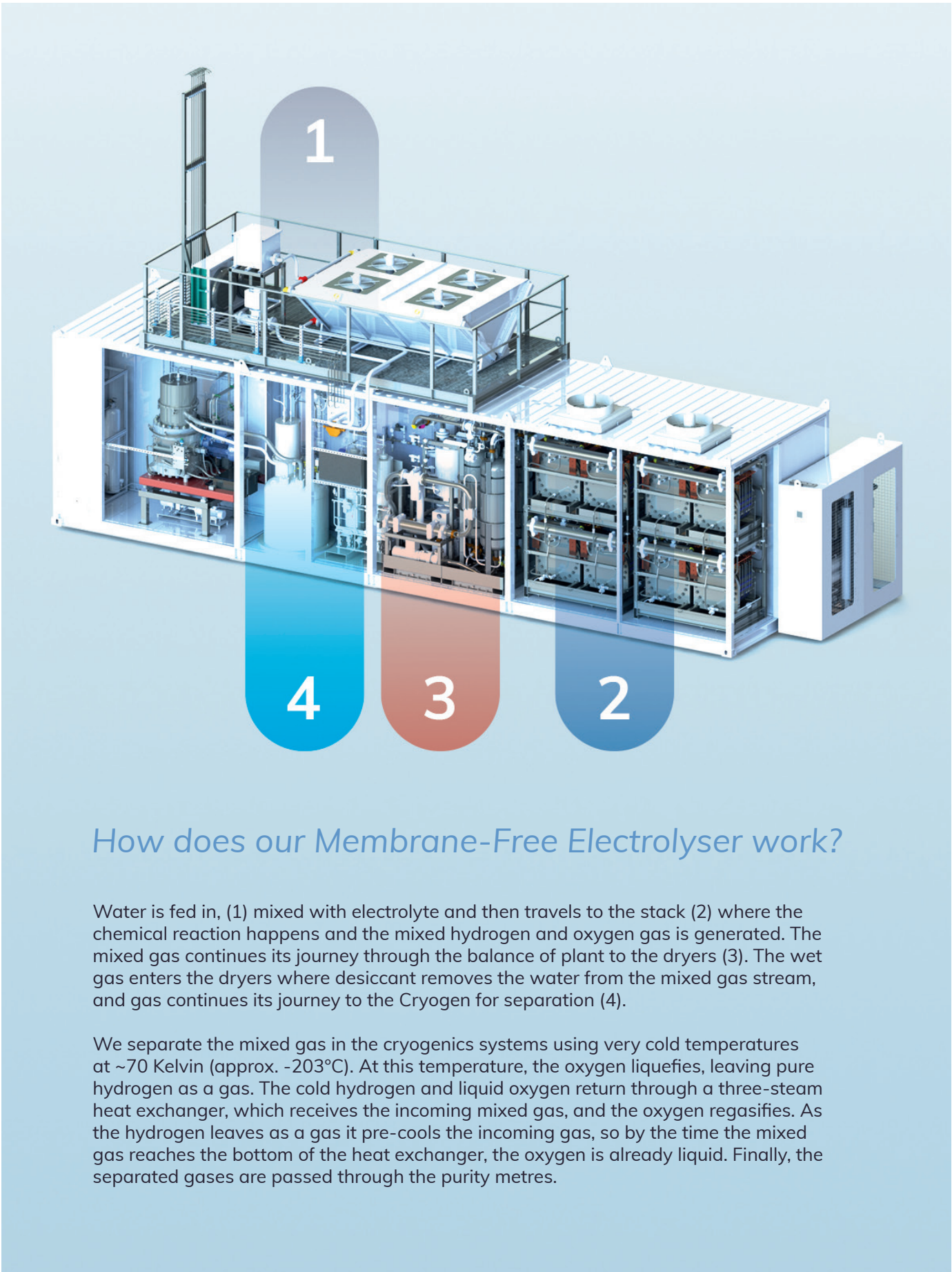
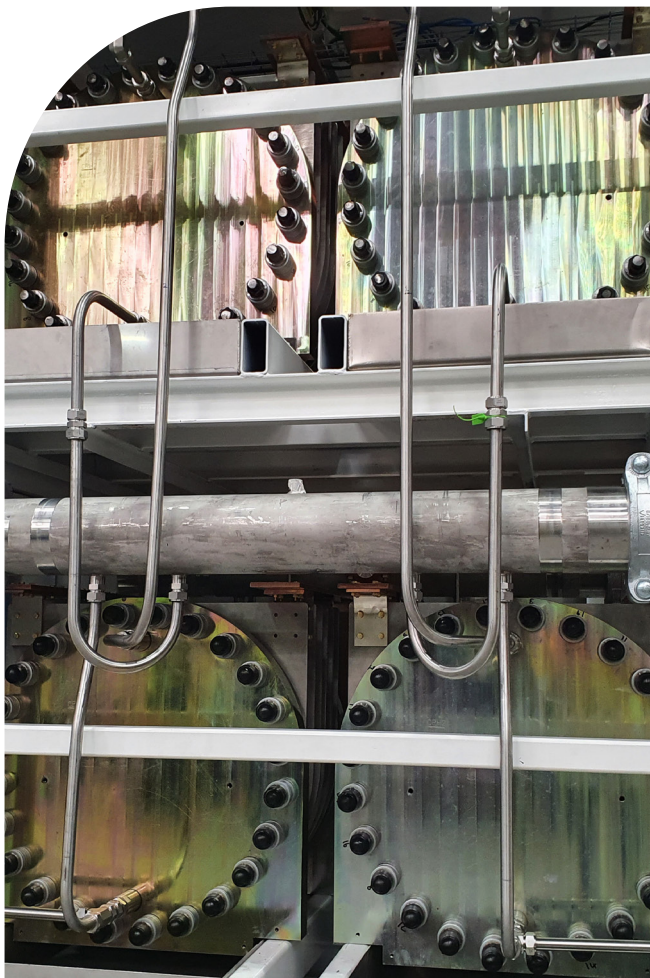
- Eliminates platinum group metals which are both expensive and are expected to have long term supply issues
- Reduced stack complexity and cost, enabling faster manufacturing in a less restrictive environment
- Reduces performance degradation and removes a key failure mechanism
- Greater asset longevity
- As efficient and responsive to variable input power as Proton Exchange Membrane electrolyzers ("PEM")
- Minimal water loss/waste in process
- Able to accept potable water which means there is no need for water purification and therefore reducing the build cost.

## Outlook

Having completed the design of the de-rated MFE110, we are currently testing its subsystems, and following this the immediate focus will be on building the complete MFE110 ready for full unit testing in the first half of 2023.

In parallel we are completing the redesign of aspects of the MFE220, which will be informed by the testing of the MFE110 at CPH2 and customer sites. First MFE220s are expected to be manufactured in quick order, and upon completion and factory acceptance testing will be sent to customers for delivery by December 2023.

From this point forward R&D work will focus improving the MFE220's operational efficiencies as well as finalising the design of CPH2's 2MW MFE440 in 2024, which is expected to provide a step change in efficiency.



## Commercial Market

The market for hydrogen has never been stronger, with estimated global investment needed in electrolyzers to be US\$1.7 trillion over the next 27 years (Carbonomics, 2022, Goldman Sachs).

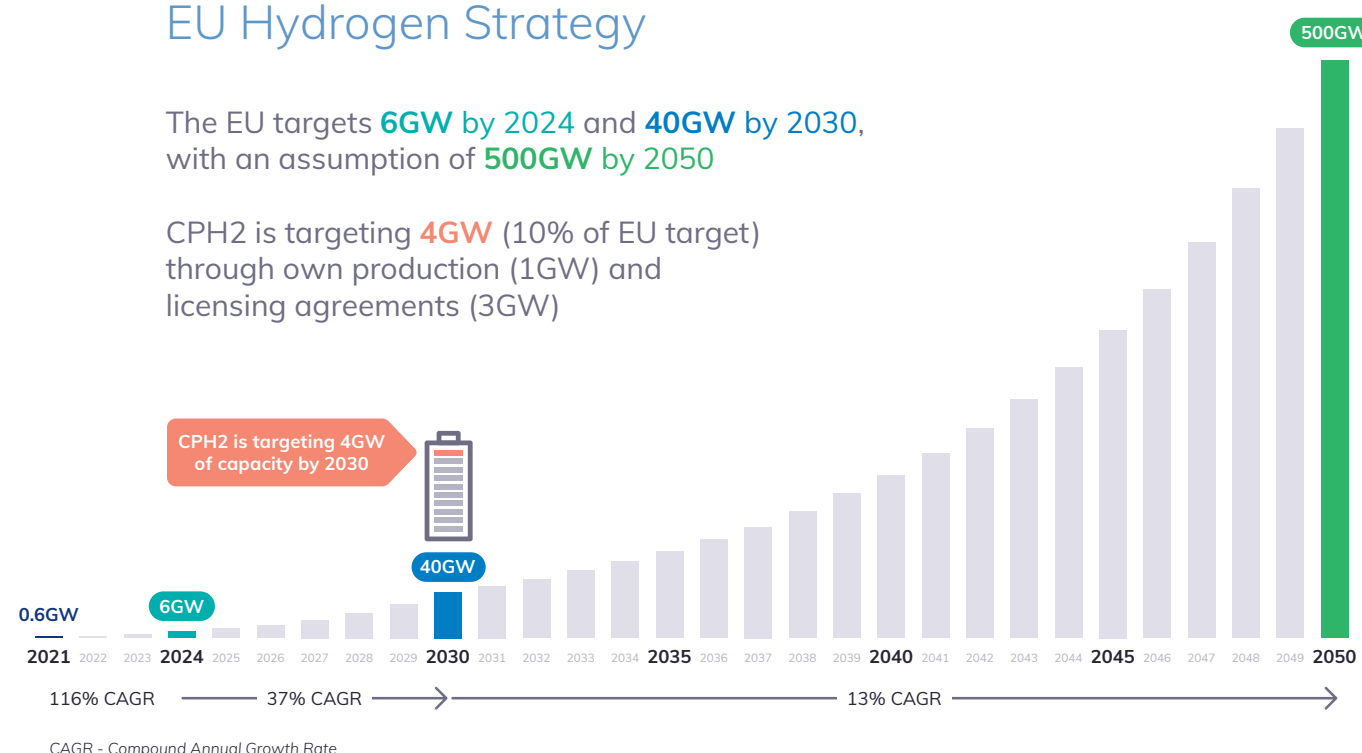
We are also seeing fundamental structural shifts at the macro level to prepare, enable and accelerate mass-scale hydrogen production and utilisation. The Inflation Reduction Act in the United States and the EU's Green Industrial Plan have been strong market interventions which is expected to dramatically accelerate clean energy adoption. Increased energy costs have enabled clean energy to be more competitive, whilst politically climate change and energy security have become increasingly important for national governments.

For CPH2, we see strong and increasing customer demand for our electrolyzers and are well positioned to accelerate electrolyser production at a fast pace on the back of licenced manufacturing partners and our own in-house manufacturing capabilities.

### EU Hydrogen Strategy

The EU targets **6GW** by 2024 and **40GW** by 2030, with an assumption of **500GW** by 2050

CPH2 is targeting **4GW** (10% of EU target) through own production (1GW) and licensing agreements (3GW)



## Manufacturing partners and customers

### Kenera Energy Solution Limited

Kenera is a component manufacturer and engineering solutions provider for renewables and hydrocarbon energy sectors across the globe and a subsidiary of KCA Deutag.

- Manufacture up to 30 MFE units for CPH2 over two years.
- Exclusive rights to manufacture and sell up to 2GW of production capacity over ten years in Middle East.
- Non-exclusive rights to manufacture MFE units and sell up to 150 MW per annum in Germany, Scotland, Denmark, Norway and Azerbaijan.

### Fabrum (ex AFCryo)

Fabrum is a New Zealand based advanced technology developer and manufacturer, focused on providing hydrogen solutions to aviation, marine and heavy transport, initially in Australia and New Zealand.

- Initial purchase of two MFE220 units for onward sale to its customers.
- Non-exclusive right to manufacture MFE units in New Zealand for its customers and CPH2 customers with no upper limit.
- Non-exclusive rights to sell MFE units across Australia and New Zealand with no upper limit.
- First order received under the manufacturing agreement in March 2023 from Obayashi Corporation, a large Japanese construction company.

### GHFG

GHFG is an Irish company focused on developing combined renewable energy and hydrogen production projects.

- Initial purchase of a MFE220 unit from CPH2.
- Received a non-exclusive right to manufacture 2GW of electrolyzers over twenty years for its own use for a large up-front licence fee.
- Factory to be developed in Ireland for the manufacturing of electrolyzers under the contract.

### Northern Ireland Water

Northern Ireland Water has a targeted strategy for the delivery of 120MW of electrolysis capacity across 30 sites across Northern Ireland.

- CPH2 won the contract after a public tender, having successfully ran a demonstrator of CPH2 technology in 2020.
- Initial purchase of a MFE220 unit from CPH2, through its contractor Lagan Meica JV.
- The electrolyser is being purchased to improve the efficiency of the wastewater process, as well as utilising the green hydrogen for commercial offtake.
- 15-year Strategic Partnering Agreement.

### ATOME Energy

ATOME is focused on large green hydrogen and ammonia production projects in Paraguay amongst other countries.

- Initial purchase of one MFE220 unit for its Paraguay mobility project.
- Non-binding Letters of Intent signed for potential collaboration in respect to the manufacture of electrolyzers in South America.

### Outlook

With strong foundations for manufacturing deployment across Germany, New Zealand, Ireland and Oman, as well as our own factory in the UK, we are well positioned to ramp up across the world our differentiated technology in a rapid, controlled, flexible, financially lean and de-risked manner, and thus take full opportunity of customer demand. Our manufacturing partners have rights to sell and to service their existing and new customers across various countries in Europe, Middle East and Australasia. Upon the completion of our first MFE220 orders already under contract, we will look to ramp up commercial engagement.



## Financial Review

In February 2022, the Group successfully raised over £30m in an IPO and CPH2's shares were admitted to trading on the AIM market in the midst of very challenging market conditions. This provided CPH2 with the funds for accelerating its commercial, development and operational activities as well as beginning the relationships with its strategic partner KCA Deutag, new institutional investors and other new shareholders. Expenses incurred during the IPO were £2.7m, of which £0.6m was expensed and £2.1m allocated against share premium account (2021: £0.1m IPO costs which were expensed).

CPH2 has attracted new commercial opportunities, formalising manufacturing licences with three parties covering countries in Europe, the Middle East as well as Australia and New Zealand. In 2022, two new electrolyser orders were received while one customer withdrew its order.

As at 31 December 2022 customers have ordered five MFE220 electrolysers with combined sales value of £6.5m, of which £1.8m has been received as deposits and has been treated as deferred income. Revenue in respect to the orders will be recognised upon successful completion of site acceptance testing.

Operating loss before tax was £3.8m for the 2022 financial year (2021: £3.4m) as the Company's activities increased and workforce expanded. Included in administrative expenses is £0.6m of expensed IPO costs (2021: £0.1m) and share based payment credit of £1.4m (2021: expense of £1.4m) details of which are set out in note 22 to the financial statements.

Referring to the tactical changes as set out in the Chief Executive's Review on page 4, three electrolysers were repurposed to build de-rated MFE110 units for development purposes and as such has been capitalised to development costs. Capitalised development costs for the year ended 31 December 2022 was £4.2m (£2021: £0.4m). Minimal spend was incurred in plant and equipment £0.3m (2021: £0.3m excluding right of use assets relating to property lease £1.1m).

During 2022 the sole key performance indicator was the completion of the Company's MFE220 electrolyser. In 2023 the Board will formulate and approve a suite of financial and non-financial key performance indicators for CPH2's expected full transition to commercial manufacturing operations in the next twelve months.



### Cash

The operating cash spend was £7.2m for the year (2021: £2.1m) largely driven by spend on electrolyser production and inventory held. Investment in development work and securing patents was £4.3m (2021: £0.4m). In December 2022, the Company acquired shares for £1.5m in ATOME Energy plc, an AIM listed business focused on the commercial production of ammonia, which at 17 April 2023 was valued at £1.4m. The Company's net cash proceeds from the IPO was £27.4m, while receiving £0.4m for the exercise of options and proceeds during the year.

### Outlook

We are pleased to advise that the Company is in a strong financial position with cash resources of £15.3m (comprising term deposits, and cash and cash equivalents) at 31 December 2022, which excludes a large VAT debtor of £1.5m which was received in March 2023.

We are focused on ensuring that cash spend is focused on the route to commercialisation, and tight expenditure controls remain in place while the Company is pre-revenue.

**James Hobson**  
Chief Financial Officer

## Corporate Social Responsibility

Green hydrogen is viewed as a critical element of the future energy system due to its near-zero emissions when produced and consumed. We are targeting the lowest LCOH for green hydrogen in the market place, helping to encourage the widespread adoption of hydrogen as a means of power supply and storage. Environmental considerations are taken into account in the design, sourcing, production and delivery of the MFE.

CPH2's MFE technology is membrane-free and does not use precious platinum group metals. There is no requirement for purified water to feed the electrolyser, as with traditional electrolysis technology, removing the requirement for any pre-treatment. Traditional electrolysis technology can result in the production of grey or wastewater with consequent environmental and planning implications. By removing the grey or wastewater end-product, the CPH2 electrolyser removes the need for certain planning requirements and improves the environmental benefits.

As a Company with high-growth ambitions by pursuing the decarbonisation of the energy system, our intention is that environmental, social and governance considerations will be embedded across the business and products.

As a commercially young business, we are enthusiastic in empowering employees and building a business with a diverse and engaged team. Staff initiate and lead a broad range of community activities, including career advice for students, raising funds for charities, and promoting Doncaster as a hydrogen hub to enhance employment opportunities in the region. Identifying, nurturing and retaining the right balance of skills and talent will be central to delivering on the ambitions of the Group. Regular communication with the CPH2 team is essential to building an understanding of CPH2's strategy and encouraging the delivery of the strategic objectives. A critical element of this communication and responsibility to staff is to manufacture the electrolysers in a safe and secure manner. To this end, CPH2 is accredited to ISO9001:2015 standard for quality management and is progressing ISO145001 (Health and Safety) and ISO14001 (environment) both of which are to be completed during 2023. During the year we initiated a Save as You Earn Scheme allowing employees the ability to purchase shares in the Company and encourage incentivisation towards our goals.

We have developed supply chains with the aim of sourcing components and materials from local suppliers where possible, such as the steel used in the MFE, to reduce the carbon footprint of the supply chain. We anticipated that up to 98 per cent. of materials will be recyclable or reusable.

The Board is committed to investing in skills for the future. CPH2 works with local providers to bring apprentices and placement students into the business, whilst also entering into arrangements with Queen's University Belfast to encourage academic research in the hydrogen economy.

### Green Economy mark

CPH2 has qualified for the London Stock Exchange's Green Economy Mark, which recognises companies that derive 50 per cent. or more of their total annual revenues from products and services that contribute to the global green economy.





# S. 172 Statement

As required by Section 172 of the Companies Act, a Director of the Company must act in the way he or she considers, in good faith, would likely promote the success of the Company for the benefit of the shareholders. In doing so, the Director must have regard, amongst other matters, to the following issues:

- the likely consequences of any decisions in the long-term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and environment;
- the Company's reputation for high standards of business conduct; and
- the need to act fairly between members of the Company.

As set out in the Strategic Report the Board is focused on promoting the success of the Company for the benefit of its members as a whole. Our strategy is designed to deliver meaningful growth to CPH2 which in turn supports our employees, our manufacturing, supply chain partners, our shareholders as well as enabling our customers to achieve the capability of producing green hydrogen, critical to the global transition to net zero. This in turn supports the communities within which each of these important stakeholders reside.

We are committed to being a responsible business and our behaviour is aligned with the expectations of our people, clients, investors, communities and society as a whole.



## Our employees

As highlighted in the Chief Executive's Review, our people are fundamental to both the delivery of our strategy, and also doing so in a way that enhances the societies within which CPH2 exists and maintaining the Company's reputation. The health, safety and wellbeing of our employees is a key priority as well as ensuring the workplace is inclusive, supportive and engaging place that provides exciting challenges and is rewarding.

We operate an open-door policy, and there is active engagement across all levels and teams within the organisation on a daily basis between all levels in the team, up to the CEO. Communication is a strong focus with weekly meetings and regular presentations involving the whole organisation which are held to ensure our employees are well informed, feel included and have a voice. An independent, third-party advisory service is available to employees in relation to all HR matters or concerns.

## Customers and manufacturing partners

Regular meetings are held with customers and their contracted consultants to ensure there is full transparency in a high trust environment. We actively listen to our customers to understand their needs and objectives, and tailor our offering accordingly. Manufacturing partners are kept fully informed of all developments, and with every CPH2 department.

## Suppliers

A partnered approach to our key suppliers is an important aspect of our ability to obtain efficient procurement and grow the supply chain strategically. Regular meetings are held with suppliers in our supply chain network to ensure that the relationships are collaborative and take into account respective needs.

## Community and environment

CPH2 takes seriously its ethical and environmental responsibilities from within the communities and jurisdictions in which it operates. We undertake regular activities for and with the community, including the promotion of the Doncaster area as a hydrogen hub to enhance employment opportunities in the region, providing career advice to students, and employee-led charitable fundraising activities. Further information on the Company's approach to its social responsibilities can be found on page 15.

## Shareholders

The Board is committed to openly engaging with our shareholders and recognises the importance of continuing transparent dialogue in its regular communications. We actively encourage shareholder dialogue, and it is important that shareholders understand our strategy and objectives and regular contact is maintained. All Company news is promptly announced to the London Stock Exchange, and regular communication on social media is maintained.

## Being responsible

The Board aims to ensure that the good governance is maintained and that management operates the business in a responsible manner, to a high standard of conduct as is strong governance expected of a business such as ours. The Corporate Governance section on page 23 details our approach.

On behalf of the Board  
**Jon Duffy**  
Chief Executive Officer





# Principal Risks and Uncertainties

The Board is responsible for the Group's risk framework and aims to ensure that the Group's ability to achieve its objectives outweighs its risk exposure. However, the Group's risk management programme can only provide reasonable, but not absolute, assurance that principal risks are managed to an acceptable level. The Audit Committee assists the Board in monitoring the effectiveness of our risk management and internal control policies, procedures, and systems.

The Executive Directors are responsible for identifying, managing, and mitigating the risks to the Company. The Board and its Audit Committee review key risks and mitigations and the Audit Committee subsequently makes recommendations to the Board as to changes in the Group's risks which are then included in the Annual Report.

The Group's principal business risks and mitigation actions are set out below. This summary is not intended to include all risks that could ultimately impact our business and the risks are presented in no particular order.

RISK	MITIGATING PROCEDURES
<b>Core technology</b>	
The Group's business is dependent on successful operation of the membrane free electrolyser working efficiently, safely, reliably and in accordance with regulations.	Membrane free electrolysis has been successfully proven in our test unit both at factory and site, validated by independent parties. During 2022 the technology pathway was developed to define a roadmap for the completion of core technology for commercial deployment, identifying key risks and monitoring progress. Independent third parties have been and continue to be closely involved in the technology pathway and compliance with the regulatory framework. Safety is a primary concern for our employees and customers. In 2022 design work continued to focus on control and prevention measures, while improvements were made to health and safety operational standards. Successful completion and testing of the MFE110 in 2023 is a key de-risking event followed by the MFE220.
<b>Intellectual property</b>	
The Group's success depends in part on its ability to protect its rights in relation to its intellectual property.	Patents, trademarks and contractual provisions including current, former employees and contractors are undertaken to preserve the Group's intellectual property rights. Research and Development work is reviewed regularly to identify potentially patentable technology design. An international patent is sought for technology followed by national patent applications in countries deemed applicable. In 2022 the agreements signed with manufacturing partners provided that CPH2 will supply the critical components (including stacks) necessary for membrane free electrolysers to perform efficiently.

RISK	MITIGATING PROCEDURES
<b>Supply chain</b>	
The Group's ability to deliver against its strategy depends on its ability to secure raw materials and components on commercially acceptable terms and within commercially acceptable timeframes.	Suppliers are chosen for their expertise, reliability and ability to deliver on time. The Group sources components and materials from local suppliers where possible and are reliant on key suppliers. In 2022 work begun on a diversified supply chain network to reduce the risk of being dependent on any one supplier. In addition we have worked closely and proactively with key suppliers to ensure open communication and advance knowledge of any issues.
<b>Scale up</b>	
The ability to scale up manufacturing is key to meeting customer demand and future profitability.	The Group has a two-pronged strategy in respect of commercialisation and manufacturing, where manufacturing is licensed to partners as well as undertaken by CPH2's in-house capacity, which diversifies risk on manufacturing scale up. During 2022 the Company developed a manufacturing pathway for the purpose of developing manufacturing efficiencies and delivery.
<b>Financial</b>	
The Group requires sufficient funds in order to finalise development and see through early stages of scale-up.	Cash spend is closely monitored, alongside improved internal reporting and clear responsibilities to ensure cash is carefully managed. Regular cash forecasting and reporting to the Board ensures notice of any funding requirement would be identified well in advance. As at the date of this report, the Board is satisfied that the Company has sufficient funds for its requirements for the foreseeable future
<b>Competition and commercialisation</b>	
Retaining the Group's competitive advantage is necessary for its electrolysers to be commercially attractive.	In 2022 the Group continued to see strong inbound demand for its products, and there is a significant pipeline of research and development projects to enhance the efficiency of the Group's electrolysers. As the Group's electrolysers do not require critical metals, in the long term the Group will is not expected to face the limitations and/or cost pressures from its supply chain relative to a number of its competitors. The Group regularly reviews the competitive landscape to ensure it remains competitive.
<b>Actions of manufacturing partners</b>	
As manufacturing partners will be producing CPH2 products, CPH2 can be exposed to the actions of its partners.	Agreements signed with manufacturing partners in 2022 give CPH2 rights to full and close oversight of all operations, and commercial activities in respect to CPH2 electrolysers built by them. In addition, the agreements contain warranties and guarantees, requirement for levels of insurance as well as carefully identifying legal responsibility in respect of the actions of the partners.

# Governance

## Directors

### Christopher Train Independent Non-Executive Chair

Chris is an experienced board member and chief executive officer with a proven track record of delivery working in the energy and utilities industries. Chris has previously been the CEO of Cadent Gas Limited and National Grid Gas Distribution Limited and the Chair to the NetGas Health Safety and Environment Committee. He is currently Executive Director of CT Energy, Chair of South East Water Limited and Non-Executive Director of the Nuclear Decommissioning Authority and Chairs their Projects and Programmes Committee. Chris is also a member of the Government's Hydrogen Advisory Council.

### Jonathan Richard Duffy Chief Executive Officer

Jon's background includes executive roles in agriculture and the food and drinks industries, and he is currently a Non-Executive Director for UniBio, a biotechnology company with core competencies in fermentation technologies. He has worked to improve the performance of SME's, multi-national and FTSE 100 companies. Jon took up a full-time role at the Company in August 2020 and is tasked with taking CPH2 from a start-up green technology company through to full commercialisation.

### James Hobson Chief Financial Officer

James brings expertise from across the energy sector through his work with private and AIM-listed companies over the past ten years. James' key strength is a continuous improvement mindset coupled with leading investor relations and managing AIM responsibilities. He has directed finance teams, multiple acquisitions and divestments, due diligence and appraisals, and multiple fundraising efforts. It is this knowledge and experience that will help CPH2 deliver on its growth strategy and the opportunities that lie ahead in the hydrogen economy.

### Natalie Jayne Fortescue Independent Non-Executive Director

A chartered accountant and experienced capital markets professional, Natalie has a background in corporate finance and investor relations. Natalie had a long investment banking career at Investec and as a corporate partner at Oriel Securities (now Stifel Europe) prior to joining Genel Energy plc as their Head of Investor Relations. Following this, Natalie spent six years at Premier Oil plc in various corporate finance roles. Natalie was appointed as a Non-Executive Director of Serinus Energy plc in March 2021. She has spent over 20 years advising companies on corporate finance transactions, fundraising, strategy, debt refinancing and restructurings, investor relations and the impact of corporate transactions on stakeholders.

### Rick Brent Smith Non-Executive Director

An accountant by profession, Rick's background includes textiles, packaging, and recently consulting with Private Equity Houses, advising on their M&A activity across Europe and North Africa. Early in his career, he held various MD roles integrating and turning around business. As CFO of Chesapeake, a multi-national packaging company, along with the CEO, he led a significant turnaround of the business, including numerous acquisitions, commercial development, and extensive pension scheme restructuring, leading to the secondary sale to Carlyle in 2013 for £460m, raising £290m in the process to support the sale. Subsequently, he was EVP on the Board of Multi Packaging Solutions ("MPS") responsible for integrating their Asian Operations, Corporate Development, and the Innovation Group. The MPS board listed the business on the NYSE in 2015 following a successful merger with Chesapeake in a \$1.8bn listing.

## Senior Management

### Arash Selahi Chief Operating Officer

Appointed as Head of Production in May 2022, Arash was promoted to Chief Operations Officer in December 2022. Arash has an extensive background in managing industrial manufacturing facilities in various sectors. Arash's focus is to lead the safe and sustainable operations of the business by developing and implementing the most efficient processes possible for delivering the Company's product to the market. Arash will continue to promote a culture of continuous improvement, placing safety and inclusivity at the centre of the Company's operations.

### Paul Cassidy Chief Technical Officer

Paul has a wealth of knowledge in the engineering and technology field, with a track record of scaling up technologies from the laboratory to implementation at a commercial scale. Paul has significant experience and insight into the methanol industry and its linked application in hydrogen-based technologies and markets. Paul received a Master of Engineering from the University of Cambridge and has won multiple awards in the sector, including the 2016 Institution of Chemical Engineers Global Awards, Outstanding Achievement Award and Industry Project Award for Gas Heated Reforming Development and Commercialization and the 2014 Institution of Chemical Engineers Sustainable Technology Award.

### Joe Scott Managing Director CPH2 Ireland

Joe is a qualified production engineer and specialises in R&D of advanced machining technology. Having started his career with Ford, his entrepreneurial drive led him to establish his tool and mould-making company in Ireland where he developed the first CAD/CAM-based paperless tool-making processes. Being able to cost effectively reduce lead times from 16 weeks to 6 weeks, Joe attracted customers including Motorola, Apple and Intel.





## Corporate Governance Statement

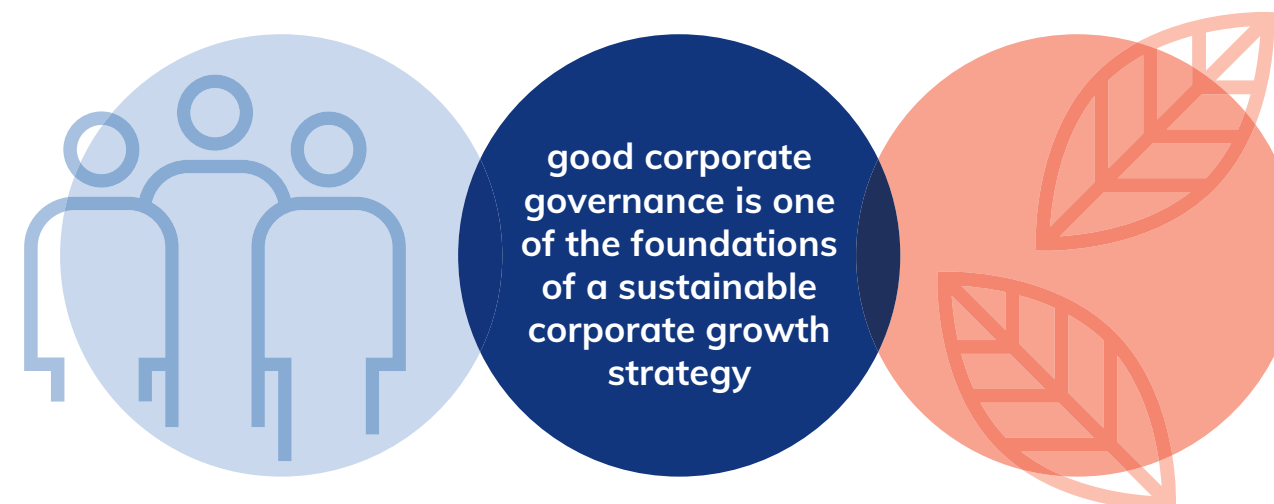
As Non-Executive Chair, I have ultimate responsibility for the leadership of the Board and the Group's approach to corporate governance.

The Board recognises the importance of good corporate governance as one of the foundations of a sustainable corporate growth strategy and sound decision making and has considered the corporate governance codes available and which would best suit the Company given its specific stage of development, the sector in which it operates and the Company's size. The Board considers the Corporate Governance Code published by the Quoted Companies Alliance (the "QCA Code") to be the most suitable code for the Company.

The Board has reviewed the Company's corporate governance and how it complies with the Principles of the QCA Code and this is explained in the Corporate Governance Statement below together with the disclosures required by the Code.

The Directors recognise the value and importance of high standards of corporate governance and as such the Company takes steps to ensure compliance by the Board and applicable employees with the terms of the QCA Code. The information set out in the Corporate Governance Statement below outlines the structures, processes and procedures by which the Board ensures that high standards of corporate governance are maintained throughout the Group.

**Christopher Train**  
Chair



## Corporate Governance

The QCA Code sets out ten principles which should be applied. The principles are set out below with an explanation of how the Company applies each principle and the reasons for any instances of non-compliance.

### Principle 1: Establish a strategy and business model which promotes long term value for shareholders.

The Company's mission is to become a globally recognised and highly profitable designer, manufacturer and licensor of membrane free electrolyser technology with a minimum 4GW production capacity by 2030.

The details of our strategy and the key challenges for the Group are set out in the Strategic Report.

The Group's strategy and business model are developed by the Chief Executive Officer, Chief Financial Officer and senior management team, and approved by the Board in line with the Group's vision and mission. Progress is actively tracked and reviewed by the Directors, as well as by the Company's independent Chair and Non-Executive Directors to ensure it establishes a balance between the interests of management and the Company's stakeholders. The senior management team, led by the Chief Executive Officer, is responsible for their effective delivery and implementation.

### Principle 2: Seek to understand and meet shareholder needs and expectations.

The Board places great importance on having positive relationships with all shareholders and seeks to ensure that an appropriate and proactive level of communication takes place through multiple platforms. Significant developments are disseminated through London Stock Exchange announcements and regular updates on the Company website.

The Board also uses the Annual General Meeting to communicate with shareholders and to give them the opportunity to ask questions and present their views to the whole Board. The Board welcomes the attendance and participation of all shareholders.

The Chief Executive Officer and the Chief Financial Officer extensively engage with the Company's institutional brokers and investor relations ("IR") consultants and meet regularly with investors and analysts to provide them with updates on the business and to obtain feedback regarding the market's expectations of the Group. The Chair and Non-Executive Directors also engage and meet with investors as and when deemed valuable to investors.

CPH2's investor relations activities encompass dialogue with both institutional and private investors and are co-ordinated by the Chief Executive Officer and Chief Financial Officer.

The Group's main point of contact for shareholder engagement is with its brokers and IR Consultants, however, contact details are also available on the Group's website to support open channels of communication and feedback ([investor@cph2.com](mailto:investor@cph2.com)).



# Corporate Governance

## Principle 3: Take into account wider stakeholder and social responsibilities and their implications for long term success.

CPH2's business is at the heart of the green hydrogen industry and the Directors believe is playing a significant part in the drive towards clean energy and net zero targets.

The Board's primary goal is to create shareholder value in a responsible way that serves all stakeholders. The Board considers its key stakeholders to be its employees, customers, shareholders, suppliers and the communities and environment in which it operates.

The Company's values inspiring the senior management team and its staff to be Passionate, Innovative, Open and Genuine, are at the core of what CPH2 does, and provide the framework for all engagement with its stakeholders. The Company acts with integrity, focuses on creating results and more importantly values people – from its members of staff to those who form the communities it engages with.

## Principle 4: Embed effective risk management, considering both opportunities and threats, throughout the organisation.

The Board has ultimate responsibility for the Group's risk management process and will be supported in this by the Audit Committee, which oversees the risks facing the Group, and the effectiveness of the systems to manage and mitigate those risks. These internal controls will be regularly reviewed and risk management processes will evolve to reflect the ongoing position, structure and sophistication of the Group.

The Board takes reasonable steps to identify, assess and mitigate risks, particularly principal risks, and mitigate these risks wherever possible. The Group's principal risks are set out on page 18 of the Strategic Report.

The Group's controls are designed to manage and control risks rather than eliminate them. Mitigation can only provide reasonable, but not absolute, assurance against material misstatement or loss. As such the Group maintains appropriate insurance cover for its activities, with the types of cover and

insured values being reviewed on a periodic basis by the Board. The Group continues to align its activities to the quality management standards set by ISO (International Organisation for Standardisation) to ensure the quality, safety, and efficiency of products, services, and systems.

## Principle 5: Maintain the Board as a well-functioning, balanced team led by the chair.

The objective is to maintain a balanced Board between Executive and Non-Executive Directors, industry experience and commercial, strategy, industry, governance and financial expertise.

The Board has reviewed the independence of the Non-Executive Directors, Chris Train, Natalie Fortescue and Rick Smith and all, including Rick Smith who holds options in the Company, are considered by the Board to be independent.

Rick Smith has substantial experience as a senior executive within a number of large organisations and as a consultant to private equity firms. His contribution to CPH2 in its early stages of development was invaluable and he was compensated with the grant of options. In view of his experience, the Board believes he is an ideal Non-Executive Director and Remuneration Committee Chairman.

The Board comprises three Independent Non-Executive Directors, including the Chair, and two Executive Directors. The Chair is responsible for leadership of the Board and the Board's approach to corporate governance. The Board adheres to the QCA Code recommendation that a board should have at least two independent directors.

The Board meets regularly and is provided with information on a timely basis. The Board works as a team exploiting its members' in-depth experience of strategy, technology, international and financial matters. Meetings are characterised by debate and active idea generation and management are rigorously challenged and held to account.

The Board also seeks to develop and improve the information flow of the business to better inform it of the progress, challenges and opportunities it faces. The Board has established Committees covering audit, risk and remuneration.

## Principle 6: Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities.

The CPH2 and its subsidiary Boards have a strong breadth and depth of highly relevant experiences for the business including public company and governance, sector, strategy, commercial, engineering and technology, manufacturing, financial and public market matters. The Board regularly reviews the composition of both the CPH2 Board and the Group Board to ensure that it has the necessary skills to support the ongoing development and growth of the business.

The Board is satisfied that it has a suitable mix of skills, experience and competencies on both the CPH2 and Group Boards covering all essential disciplines to bring a balanced perspective that is beneficial both strategically and operationally to enable the Group to deliver its strategy for the benefit of its shareholders over the medium to long-term. Summary biographies of each Board member are shown on page 20.

The Board fully subscribes to the principle of diversity across the Board and the wider business, and endeavours to make sure that actions across the business continue to support the Board's commitment to diversity.

Directors are required to keep their skills sets up to date through membership of professional bodies, attendances at conferences and forums, through their various external appointments and with ongoing training and development. The Directors regularly share sector updates and news articles to stay up to date with relevant industry developments.

The Directors have access to the advice and guidance of the Company Secretary who is responsible for ensuring that Board procedures and applicable rules and regulations are observed. The Directors are kept abreast of changes in relevant legislation and regulations, with the assistance of the Group's advisers where appropriate.

All Directors are able to take independent professional advice, if required, in relation to their duties and at the Company's expense.

## Principle 7: Evaluate board performance based on clear and relevant objectives, seeking continuous improvement.

A process of formal annual Board evaluation is being implemented and will be conducted by way of a questionnaire and interviews with the Chair, taking into account the Financial Reporting Council's Guidance on Board Effectiveness.

All Directors will undergo a performance evaluation before being proposed for re-election to ensure that their performance is and continues to be effective, that, where appropriate, they continue to be independent and that they remain committed to their roles. They will be individually assessed on an annual basis through which their performance against predetermined objectives will be reviewed and their personal and professional development needs considered. These evaluations should allow Directors to identify areas for improvement or training.

In addition, the Non-Executive Directors will meet, without the Chair present, and will evaluate the Chair's performance.

An evaluation process will also be carried out in relation to each of the Board Committees.

The Board regularly reviews its composition, particularly in conjunction with succession planning, and may utilise the results of performance evaluations when considering the composition and/or succession planning.





# Corporate Governance

**Principle 8: Promote a corporate culture that is based on ethical values and behaviours.**

The Board understands that a high level of corporate culture and conduct leads to a successful business.

The Board seeks to promote and maintain a culture of integrity across all divisions within the Group and to ensure that the highest standards of integrity and ethics are demonstrated through the Company’s objectives, strategy and business model. An open culture is encouraged within the Group, with employee feedback sought and regular progress and performance updates provided to all employees.

To continue its success, and to be a global leader in the sector, the Board recognises that it is vital to continue attracting and retaining the best talent. The Group works hard to create an environment in which employees at all levels can thrive, develop and achieve their ambitions, but do so in ways that first and foremost promote the Group’s values to be passionate, innovative, open and genuine. Employees will be encouraged to join sub-committees as and when they are created.

The Group has a Code of Conduct, an Anti-bribery and Corruption Policy and a Modern Slavery Statement. The Group also has policies and procedures relating to whistleblowing which state the Company’s commitment to conducting its business with honesty and integrity, its expectation that staff will maintain high standards, and which encourages prompt disclosure of any suspected wrongdoing. The Company has an induction process in place for all new employees that covers the relevant policies and procedures, which will develop as the Company grows. It also offers ongoing training and refreshers for existing employees where appropriate.

**Principle 9: Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board.**

Whilst the Company recognises the importance of high standards of Corporate Governance, the Board has sought to address the matter in a proportionate way having regard to the size and resources of the Group. This will be regularly reviewed as the Group grows.

The long-term success of the Group is the responsibility of the Board of Directors, which comprises three Non-Executive Directors, including the Chair, and two Executive Directors. The Board as a whole is responsible for directing, providing appropriate advice, and supervising the Company’s business strategy, and is responsible to shareholders for the Group’s financial and operational performance, as well as its risk management. The Board has introduced a formal schedule of matters reserved to the Board. The Board is ultimately responsible for the strategy and overseeing the performance of the Group.

Executive Directors have responsibility for the operational management of the Group’s activities. The Non-Executive Directors are responsible for bringing independent and objective oversight and judgement to Board decisions. The Chair has ultimate responsibility for the operation, leadership and governance of the Board and the Group’s approach to corporate governance.

The Chief Executive Officer has ultimate responsibility for implementing and delivering the strategic and commercial objectives of the Board and managing the day-to-day business activities of the Group. The Company Secretary is responsible for ensuring that Board procedures are followed, and applicable rules and regulations are complied with.

The Board has established an Audit Committee and a Remuneration Committee, with formal terms of reference, details of which are set out in the Investors section of the Group’s website at <https://www.cph2.com>

Each Board Committee is chaired by a Non-Executive Director and membership of both Committees during the year under review comprised exclusively of Non-Executive Directors. Further information on the attendance of the Directors at Board meetings during the last year is set out below and the attendance of the Directors at the Board Committee meetings during the last year is set out under ‘Audit Committee’ and ‘Remuneration Committee’ below.

The Board met on ten occasions during the last financial year; there were also two Remuneration Committee meetings and two Audit Committee meetings during the year. All such meetings were quorate and followed a formal agenda. Attendance at the Board meetings during the year is shown in the following table:

Director	Meetings eligible to attend	Actual attendance
No. of meetings in the year to 31 December 2022	10	10
Christopher Train (Chair)	6	6
Jonathan Duffy	10	10
Clive Brook*	10	10
James Hobson**	1	1
Rick Smith	10	9
Natalie Fortescue	6	6

\*resigned 1 February 2023  
\*\*joined 6 December 2022

**Principle 10: Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.**

The Board recognise the importance of providing shareholders with clear and transparent information on the Group’s activities, strategy and financial position and does so in a number of ways, including:

- the Group’s Annual Report and Accounts;
- full year and half year announcements;
- other regulatory announcements;
- the Annual General Meeting;
- update meetings with existing shareholders; and
- disclosure of all votes in a clear and transparent manner.

A range of corporate information, including annual reports will be available to shareholders, investors and the public through the Group’s website at <https://www.cph2.com>



# Audit Committee

## Composition and role of the Audit Committee

Membership of the Audit Committee during the period consisted of the Non-Executive Directors, Natalie Fortescue (Chair) and Rick Smith. The Audit Committee is responsible for the review and recommendation in respect of the Group's financial reporting, risk review and the review and recommendations in respect of the Group's risk management and internal control processes.

The role of the Audit Committee is to assist the board in fulfilling its oversight responsibilities by reviewing and monitoring:

- the integrity of the financial and narrative statements and other financial information provided to shareholders;
- the Company's system of internal controls and risk management;
- the internal and external audit process and auditors;
- the processes for compliance with laws, regulations and ethical codes of practice.

Attendance at Audit Committee meetings during the year ended 31 December 2022 was as follows:

Director	Meetings eligible to attend	Actual attendance
Natalie Fortescue (Chair)	2	2
Rick Smith	2	2

## Significant financial reporting matters

When approving the financial statement for the year ended 31 December 2022, the Audit Committee considered the following significant financial reporting matters, estimates and judgements, amongst others:

### Capitalised development costs

During the year £4.2m was incurred on development costs, including the building of three MFE110 electrolyzers for development purposes. A thorough analysis was undertaken by management to ensure that expenditure was appropriately categorised, and this analysis was reviewed by the external auditor. The Audit Committee received and considered reports from the Chief Financial Officer in respect to the principles of allocation and results of the analysis. The Audit Committee has reviewed the reports received and managements judgement. Having considered input from the external auditors and following discussions in Committee meetings, the Audit Committee considers management's treatment to be appropriate.

### Impairment reviews

Capitalised development costs (£5.3m at 31 December 2022), inventory (£2.4m at 31 December 2022), investments in subsidiaries (£1.9m at 31 December 2022) and intercompany loan balances (£11.7m at 31 December 2022) were all individually assessed in relation to potential impairment. A thorough analysis was undertaken by management to assess for potential impairment which reviewed by the external auditor. The Audit Committee received and considered reports from the Chief Financial Officer, and taking into consideration input received from the external auditor, the Audit Committee considers management's assessment in relation to potential impairment appropriate.

## Share based payments

In February 2022 24m options were awarded as part of the IPO process, as well as warrants and subsequently options awarded under the SAYE Scheme for employees in November 2022. The Black Scholes option-pricing model was used to determine the value of the options awarded. Reviewing the underlying key judgements in relation to the inputs, particularly volatility, and taking into consideration input received from the external auditors the Audit Committee considers management's treatment to be appropriate.

## External auditor

At the Group's Annual General Meeting in June 2022, PKF Littlejohn LLP was re-appointed as the Group's external auditor for the year to 31 December 2022, to hold office until the 2023 AGM. David Thompson is the lead audit partner.

During the year, the Committee reviewed PKF Littlejohn's audit plan including the scope of work to be undertaken as well as their reports on external audit findings, with particular focus on the areas set out above.

## Effectiveness of the the external auditor

The Committee also assessed the effectiveness of the external auditor, PKF Littlejohn LLP, and was satisfied that the advice the Company received has been objective and independent.

Audit fees paid to PKF Littlejohn during the year are disclosed in Note 4 to the financial statements in this Annual Report. There were no non-audit fees for the year ended 31 December 2022 (2021: nil).

**Natalie Fortescue**  
Chair of Audit Committee





# Remuneration Committee

The remuneration report outlines remuneration awarded to Directors and Non-Executive Directors during the year. As the Company’s shares are listed on the AIM market of the London Stock Exchange, the Company is required to report in accordance with the remuneration disclosure requirements of the AIM Rules.

The Group is not required to prepare a Directors’ Remuneration Report under Companies Act regulations and therefore this report may not contain all the information that would be included were the Group required to do so.

## Composition and role of the Remuneration Committee

Membership of the Remuneration Committee during the period consisted of the Independent Non-Executive Directors, Rick Smith (Chair), Christopher Train and Natalie Fortescue. The Remuneration Committee is responsible for the review and recommendation of the scale and structure of remuneration for senior management, including any bonus arrangements or the award of share options with due regard to the interests of the shareholders and the performance of the Company.

Attendance at Remuneration Committee meetings during the year ended 31 December 2022 was as follows:

Director	Meetings eligible to attend	Actual attendance
Rick Smith (Chair)	2	2
Christopher Train	2	2
Natalie Fortescue	2	2

## Remuneration policy

The roles and responsibilities of the Committee are:

- to review and recommend to the Board remuneration policies which motivate Directors and senior executive team to support the delivery of business objectives in the short, medium, and long term;
- to align the interests of the Executive Directors and senior executive team with the interests of long term shareholders; and
- to ensure the Group can recruit, retain and motivate high quality executives through packages which are attractive and fair, but not excessive.

The Committee takes into account the individual executive’s experience and the nature and complexity of their work in order to pay a competitive salary that attracts and retains management of the highest quality, while avoiding remunerating those Directors more than is necessary. Each Executive Director has a service contract with the Group which contains details regarding remuneration, restrictions and disciplinary matters. Executive Directors are appointed by the Group on contracts terminable on no more than 12 months’ notice.

The fees of the Chair are determined by the Committee and the fees of the other Non-Executive Directors by the Board following a recommendation from the Chair. The Chair and the other Non-Executive Directors are not involved in any discussions or decisions about their own remuneration. Included in the fees for the Chair of each Committee is an is an additional payment of £5,000 in respect of their services.

## Directors’ remuneration for 2022

The following table sets out the remuneration of the Company’s Directors who served during the period 1 January 2022 to 31 December 2022 that was received or receivable.

	Salary and fees £000	Fees for IPO £000	Pension and benefits £000	Emp’rs NI £000	Bonus £000	2022 Total £000
<b>Executive Directors</b>						
Jon Duffy <sup>(1)</sup>	288	-	-	52	90	430
Clive Brook	110	-	-	10	-	120
James Hobson	7	-	-	1	-	8
<b>Non-Executive Directors</b>						
Christopher Train	65	5	-	9		79
Natalie Fortescue	39	5	-	5	-	49
Rick Smith	40	40	-	10	-	90

<sup>(1)</sup> On 16 February 2022 Jon Duffy exercised 6,410,220 options, receiving the same number of ordinary shares. 590,533 of these ordinary shares were then sold for a profit of £245,000.

## Options

Directors interests in options of the Company during the year were as follows:

	1 Jan 22 number	Granted number	Exercised number	31 Dec 22 number	Exercise price	Date from which exercisable	Expiry date
<b>Jon Duffy</b>							
Options (unapproved)	-	2,764,160 <sup>(1)</sup>	-	2,764,160	£0.035	1 Feb 2022	31 Jan 2032
EMI Options	-	6,410,220 <sup>(1)</sup>	(6,410,220) <sup>(2)</sup>	-	£0.035	1 Feb 2022	16 Feb 2022
Options (unapproved)	-	10,608,980 <sup>(1)</sup>	-	10,608,980	£0.085	1 Jun 2024	9 Feb 2032 <sup>(3)</sup>
SAYE options (approved)	-	28,177	-	28,177	£0.319	1 Dec 2025	31 May 2026
		13,401,317	(6,410,220)	13,401,317			
<b>Rick Smith</b>							
Options (unapproved)	-	2,000,000 <sup>(1)</sup>	-	2,000,000	£0.25	1 Feb 2022	31 Jan 2032
		2,000,000	-	2,000,000			

<sup>(1)</sup> Issued in replacement of options / LTIP awarded in prior years by the Company’s Clean Power Hydrogen Group Ltd, and relinquished as part of the share exchange process leading up to the IPO in February 2022.

<sup>(2)</sup> Exercised as part of the IPO process on 16 February 2022.

<sup>(3)</sup> 25% exercisable from June 2024, 75% is conditional on meeting sales targets set in February 2022.

**Rick Smith**  
**Chair of Remuneration Committee**

# Report of the Directors

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

The Directors present their Annual Report and the consolidated financial statements for the year ended 31 December 2022.

### Principal activities

Clean Power Hydrogen plc (“CPH2” or the “Company”) is a public listed company incorporated and domiciled in England. The address of its registered office and principal place of business is disclosed at the end of this report. The Company’s shares are quoted on the AIM Market of the London Stock Exchange.

The principal activity of the Company and Group is the development of a patented method of hydrogen and oxygen production together with the development of a gas separation technique which enables hydrogen to be produced as “Green Hydrogen” and oxygen to medical grade purity.

A review of the Group’s business, including events since the year end and the outlook ahead, is set out in detail in the Strategic Report.

### Results and Dividends

The consolidated results of the Group for the year are set out in the Consolidated Statement of Comprehensive Income on page 42. The Directors do not recommend the payment of a dividend in respect of the current period (2021: £nil).

### Events after the reporting date

On 31 January 2023 the Company announced a manufacturing agreement with Fabrum Solutions Ltd, whereby Fabrum was awarded the non-exclusive rights to manufacture CPH2 electrolyzers in New Zealand and sell CPH2 electrolyzers in Australia and New Zealand. On 27 March 2023, the Company announced the first order received by Fabrum Solutions Ltd under the agreement.

### Directors

The Directors of the Company who held office during the year and as at the date of this report were as follows:

Director	Title	Appointed
Christopher Train	Independent Non-Executive Chair	16 February 2022
Jon Duffy	Chief Executive Officer	19 August 2021
James Hobson	Chief Financial Officer	6 December 2022
Natalie Fortescue	Independent Non-Executive Director	16 February 2022
Ricki Smith	Non-Executive Director	2 December 2021
Clive Brook*	Director, former Chief Financial Officer	21 October 2021

\*resigned 1 February 2023

### Director interests

The Directors had the following interests in shares in the Company as at 31 December 2022:

Director	Shares
Jon Duffy	7,355,707
Clive Brook	9,860,820

Details of Directors’ interests in options held over the Company’ ordinary shares are set out in the Remuneration Report on pages 30 and 31.

### Significant shareholders

As at 19 April 2023, the Company has been notified of the following holdings of 3% of more of the issued ordinary shares of £0.01 each of the Company:

	Shares	Percentage
Joe Scott Mouldings Limited	39,311,720	14.81%
Nigel Williamson	24,410,500	9.19%
Manny Davidson Discretionary Trust	19,096,436	7.19%
Kenera Energy Solutions Limited	16,111,111	6.07%
Mr Elie Basil Victor Dangoor	10,650,000	4.01%
Clive Brook	9,860,820	3.71%

### Principal risk and uncertainties

The principal risks and uncertainties which could have a material impact on the execution of the Group’s strategy are set out in Strategic report on page 18.

### Corporate governance

The Company’s statement on corporate governance can be found in the corporate governance report on page 23.

### Group’s policy on payment of creditors

The Group’s policy is to settle the terms of payment with its suppliers when agreeing the terms of each transaction, either by accepting the suppliers’ terms or by making the suppliers aware of alternative terms, and to abide by the agreed terms. Trade creditors of the Group at 31 December 2022 represented 15 days of annual purchases.

### Going concern

The Directors evaluate the application of the going concern basis having considered a sensitised trading and cash flow forecast for the Group for a period of not less than 12 months from the date that these financial statements are approved by the Board.

The Directors have concluded that it is appropriate to prepare these financial statements on the going concern basis.



# Report of the Directors

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

### Directors' indemnities

The Company maintained liability insurance for its Directors and officers. This is a qualifying provision for the purposes of the Companies Act 2006 and was in place during the financial year, and remains in force at the date of this report.

### Auditor

The Directors confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

PKF Littlejohn LLP has signified its willingness to continue in office as auditor and a resolution to re-appoint them and to authorise the Directors to agree their remuneration will be put to the 2023 Annual General Meeting.

This report was approved by the Board on 19 April 2023 and signed on its behalf.

**James Hobson**  
Chief Financial Officer



# Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report, Strategic Report, Directors' Report and the Financial Statements Group and Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the Group and Company financial statements in accordance with UK-adopted International Accounting Financial Reporting Standards as adopted by the UK and with the requirements of the Companies Act as applicable to companies reporting under those standards. The Company financial statements are prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework').

Under company law the Directors must not approve the financial statements for the Group and the Company unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK-adopted international accounting standards for the Group and United Kingdom Accounting Standards, comprising FRS 101, for the Company have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.



# Independent Auditor’s Report

AUDIT REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

## Independent Auditor’s Report to the Members of Clean Power Hydrogen plc

### Opinion

We have audited the financial statements of Clean Power Hydrogen plc (the ‘parent company’) and its subsidiaries (the ‘group’) for the year ended 31 December 2022 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated Cashflow Statements and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK-adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the group’s and of the parent company’s affairs as at 31 December 2022 and of the group’s loss for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors’ assessment of the group’s and parent company’s ability to continue to adopt the going concern basis of accounting included:

- reviewing the cashflow forecast and budgets for the period to 31 December 2024 and the corresponding assumptions used. This included the target dates for completion of units for existing orders, new orders of productions, increase in operating costs and receipt of licence fee payments.
- discussions with management regarding the future plans of the Group; and
- challenging management’s assumptions of forecast sales and new orders, and cash generated through licence agreements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group’s or parent company’s ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

### Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatement. At the planning stage, materiality is used to determine the financial statement areas that are included within the scope of our audit.

Group	Statement of Financial Position	Statement of Comprehensive Income	2021
Materiality	£400,000	£110,000	£87,000
Performance materiality	£280,000	£77,000	£60,900

Company	Statement of Financial Position	Statement of Comprehensive Income
Materiality	£360,000	£49,000
Performance materiality	£252,000	£34,300

The benchmark for determining materiality of the Group and Parent Company was 5% net assets with respect to the Statement of Financial Position, less cash balances, given that the most significant balances to the Group are the capitalised development costs and work in progress. With respect to the Statement of Comprehensive Income, the benchmark for determining materiality of the Group and Parent Company was 5% of adjusted profit before tax, excluding the LTIP accrual release, to ensure appropriate coverage of expenses in the year.

Component materiality was applied and ranged from £150,000 to £360,000 for the Statement of Financial Position and from £49,000 to £90,000 for the Statement of Comprehensive Income, having regard to the varying size and risk profile of components across the Group.

A benchmark of 70% for performance materiality during our audit of the Group and Parent Company was applied as we believe that this would provide sufficient coverage of significant and residual risks. We agreed with the audit committee that we would report to them all audit differences identified during the course of our audit in excess of £5,500 (2021:

£4,350) for the Group and £2,450 for the Parent Company. We also agreed to report any other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

### Our approach to the audit

In designing our audit approach, we determined materiality and assessed the risk of material misstatement in the financial statements. In particular, we assessed the areas requiring the Directors to make subjective judgements, for example in respect of significant accounting estimates and judgements including the carrying value and capitalisation of development costs, valuation of investments and recoverability of intragroup balances and valuation of inventory and work in progress. We also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

An audit was performed on the financial information of the Group’s material operating components which, for the year ended 31 December 2022, were located in the United Kingdom.

Clean Power Hydrogen plc and Clean Power Hydrogen Group Limited were assessed as significant components of the Group and we therefore designed procedures focused on addressing our key audit matters as noted below.

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



# Independent Auditor’s Report

AUDIT REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

KEY AUDIT MATTER	HOW OUR SCOPE ADDRESSED THIS MATTER
<b>Recoverability of investments and intragroup balance (notes 12 and 16)</b>	
<p>The Company holds investments of £1.85m as at 31 December 2022. There is also a significant intragroup loan of £11.67m as the parent company provides funds to the operating company.</p> <p>Given that Clean Power Hydrogen Group Limited is loss making and the other subsidiaries are dormant, there is a risk that the investment in subsidiaries are impaired and that the intragroup receivables may not be fully recoverable.</p>	<p>Our work in this area included:</p> <ul style="list-style-type: none"><li>• Obtaining the impairment review for all investments held from management and corroborating the assumptions made, where applicable, to third party evidence;</li><li>• Reviewing the value of the net investment in Clean Power Hydrogen Group Limited against the underlying assets and verifying and corroborating the judgements and estimates used by management to assess the recoverability of the investment and intragroup receivable;</li><li>• Confirmation of ownership of investments; and</li><li>• A review of management’s assessment of expected credit losses on intragroup receivables in accordance with IFRS 9 criteria.</li></ul> <p>Based on our audit procedures performed, nothing came to our attention that suggested that the investments or intragroup balances require impairment as at 31 December 2022.</p>
<b>Capitalisation and valuation of development costs in intangible assets (note 10)</b>	
<p>The Group has significant capitalised development costs of £5.29m in relation to the development and testing of its Membrane-Free Electrolyser (MFE) technology.</p> <p>There is a risk that these costs do not meet IAS 38 capitalisation criteria and are therefore incorrectly capitalised, and that certain expenditure could be superseding or rectifying previous development work, giving rise to an impairment indicator regarding the original expenditure.</p> <p>There is also a risk that there are indicators of impairment, and the carrying value of development costs is overstated as at 31 December 2022.</p>	<p>Our work in this area included:</p> <ul style="list-style-type: none"><li>• Tests of detail of a sample of capitalised costs to underlying supporting evidence, ensuring their eligibility for capitalisation is in accordance with IAS 38;</li><li>• Evaluation of whether the development phase is complete and amortisation should commence;</li><li>• Challenging the appropriateness of inputs and assumptions used in management’s assessment of the carrying value of capitalised costs, with reference to post year-end sales, forecast / contracted revenues and meeting regulatory requirements; and</li><li>• Consideration of whether there are indicators of impairment.</li></ul> <p>Based on our audit procedures performed, nothing came to our attention that suggested that the development costs were incorrectly capitalised or valued as at 31 December 2022.</p>

KEY AUDIT MATTER	HOW OUR SCOPE ADDRESSED THIS MATTER
<b>Carrying value of inventory and recoverability of work in progress (note 15)</b>	
<p>The Group has significant work in progress and inventory of £2.36m in relation to the construction of its Membrane-Free Electrolyser (MFE) technology units.</p> <p>There is a risk that inventory and work in progress is not stated accurately at cost, and that the carrying value is greater than its net realisable value.</p> <p>There is also a risk that costs have been classified incorrectly and that fixed and variable overheads, where applied, have not been allocated appropriately, together with apportioned staff costs.</p>	<p>Our work in this area included:</p> <ul style="list-style-type: none"><li>• Physical verification of inventory and work in progress at year-end;</li><li>• Testing the work in progress schedule formulae, calculations and additions and reconciling to year-end values in the financial statements;</li><li>• Consideration of the basis for valuation of work in progress including labour and overhead recovery and ensuring consistent with previous periods;</li><li>• Testing the cost of a sample of inventory and work in progress through vouching to supporting documentation and assessing the integrity of costs allocated to work in progress;</li><li>• Ensuring completeness of stock and work in progress impairment / provision through comparing the carrying value of the MFE units within work in progress to the contracted sales value and reviewing the estimated costs to complete the MFE units, in conjunction with the costs incurred to date, and compare to the contracted sales value; and</li><li>• Ensuring that the disclosures are in accordance with the requirements of the applicable financial reporting framework.</li></ul> <p>Based on our audit procedures performed, nothing came to our attention that inventory and work in progress were incorrectly capitalised or valued as at 31 December 2022.</p>

# Independent Auditor’s Report

AUDIT REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

### Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our auditor’s report thereon. The Directors are responsible for the other information contained within the Annual Report. Our opinion on the group and parent company financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors’ Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors’ Report have been prepared in accordance with applicable legal requirements.

### Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors’ Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors’ remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### Responsibilities of Directors

As explained more fully in the Directors’ responsibilities statement, the Directors are responsible for the preparation of the group and parent company financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the group and parent company financial statements, the Directors are responsible for assessing the group’s and the parent company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

### Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the group and parent company and the sector in which they operate to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management, industry research, application of cumulative audit knowledge and experience of the sector.
- We determined the principal laws and regulations relevant to the group and parent company in this regard to be those arising from Companies Act 2006, AIM rules and regulations, General Data Protection Regulation, Employment Law, Health and Safety Law and Anti-Bribery and Money Laundering Regulations.
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the group and parent company with those laws and regulations. These procedures included, but were not limited to enquiries of management, review of minutes, review of correspondence with regulators and review of online media.
- We also identified the risks of material misstatement of the financial statements due to fraud. We considered, in addition to the non-rebuttable presumption of a risk of fraud arising from management override of controls, that the potential for management bias was identified in relation to the carrying value and capitalisation of the development costs as intangible assets, the carrying value of investments and intragroup loans and the carrying value of inventory and work in progress as noted in our Key Audit Matters above. We addressed this by challenging the assumptions and judgements made by management when auditing that significant accounting estimate.

- We addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to: the testing of journals; reviewing accounting estimates for evidence of bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council’s website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor’s report.

### Use of our report

This report is made solely to the Company’s members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company’s members those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone, other than the Company and the Company’s members as a body, for our audit work, for this report, or for the opinions we have formed.

### David Thompson (Senior Statutory Auditor)

For and on behalf of PKF Littlejohn LLP  
15 Westferry Circus  
Canary Wharf  
Statutory Auditor  
London  
E14 4HD

19 April 2023



## Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 £'000	2021 £'000
<b>Revenue</b>		-	28
Cost of sales		-	(25)
<b>Gross profit</b>		-	3
Other operating income	4	-	42
Administrative expenses excluding exceptional items	4	(4,765)	(2,145)
Exceptional net credit/(costs)	4	986	(1,335)
<b>Total administrative expenses</b>		<b>(3,779)</b>	(3,480)
<b>Operating loss</b>	4	<b>(3,779)</b>	(3,435)
Finance income	7	216	7
Finance expense	7	(55)	(37)
<b>Loss before taxation</b>		<b>(3,618)</b>	(3,465)
Taxation	8	174	148
<b>Loss for the financial year</b>		<b>(3,444)</b>	(3,317)
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences		(19)	20
Fair value decrease in respect of investments		(3)	-
<b>Total comprehensive expense for the year</b>		<b>(3,466)</b>	(3,297)
<b>Basic and diluted earnings per share (pence)</b>	9	<b>(1.35)</b>	(1.80)

In accordance with the accounting policy set out on page 47, this statement reflects the results of the parent company and subsidiaries as if they had been combined throughout both years.

The notes on pages 47 to 67 form part of these financial statements.

## Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2022

	Note	31 December 2022 £'000	31 December 2021 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	10	5,476	1,176
Property, plant and equipment	11	1,387	1,327
Fair value through OCI investments	13	1,497	-
Trade and other receivables	16	120	120
		<b>8,480</b>	2,623
<b>Current assets</b>			
Inventories	15	2,363	2,082
Trade and other receivables	16	3,239	847
Current asset investments	14	13,500	-
Cash and cash equivalents		1,790	480
		<b>20,892</b>	3,409
<b>Total assets</b>		<b>29,372</b>	6,032
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	17	(844)	(917)
Deferred income	17	(1,858)	(2,237)
Lease liabilities	18	(121)	(131)
		<b>(2,823)</b>	(3,285)
<b>Non-current liabilities</b>			
Accruals	17	-	(1,965)
Deferred income	17	(641)	(278)
Lease liabilities	18	(737)	(856)
		<b>(1,378)</b>	(3,099)
<b>Total liabilities</b>		<b>(4,201)</b>	(6,384)
<b>Net assets/(liabilities)</b>		<b>25,171</b>	(352)
<b>Equity</b>			
Called up share capital	21	2,654	9
Share premium account	21	27,638	5,545
Merger reserve	21	3,702	-
Currency translation reserve		(15)	4
Accumulated loss		(8,808)	(5,910)
<b>Total equity</b>		<b>25,171</b>	(352)

The notes on pages 47 to 67 form part of these financial statements.

These financial statements on pages 42 to 46 were approved by the Board of Directors on 19 April 2023 and were signed on its behalf by:

**J Hobson**  
Director  
Clean Power Hydrogen plc

Registered number: 13574281

## Company Statement of Financial Position

AS AT 31 DECEMBER 2022

	Note	31 December 2022 £'000	31 December 2021 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Investments in subsidiaries	12	1,853	-
Fair value through OCI investments	13	1,497	-
		3,350	-
<b>Current assets</b>			
Trade and other receivables	16	12,072	-
Current asset investments	14	13,500	-
Cash and cash equivalents		1,246	-
		26,818	-
<b>Total assets</b>		30,168	-
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	17	(92)	-
		(92)	-
<b>Total liabilities</b>		(92)	-
<b>Net assets</b>		30,076	-
<b>Equity</b>			
Called up share capital	21	2,654	-
Share premium account	21	27,638	-
Accumulated loss		(216)	-
<b>Total equity</b>		30,076	-

As permitted by section 408 of the Companies Act 2006, the parent company's profit and loss account has not been included in these financial statements. The Company recorded a loss for the year of £382,000 (2021: result of £nil)

The notes on pages 47 to 67 form part of these financial statements.

These financial statements on pages 42 to 46 were approved by the Board of Directors on 19 April 2023 and were signed on its behalf by:

**J Hobson**  
Director  
Clean Power Hydrogen plc

Registered number: 13574281

## Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2022

	Called up share capital £'000	Share premium account £'000	Merger reserve £'000	Foreign currency reserve £'000	Accumulated loss £'000	Total equity £'000
Balance as at 1 January 2021	9	4,995	-	(16)	(2,793)	2,195
Loss for the financial year	-	-	-	-	(3,317)	(3,317)
Other comprehensive expense						
Foreign currency differences	-	-	-	20	-	20
Total comprehensive expense for the year	-	-	-	20	(3,317)	(3,297)
Share based payments (note 22)	-	-	-	-	200	200
Issue of share capital (note 21)	-	550	-	-	-	550
Total contributions by owners	-	550	-	-	200	750
<b>Balance as at 31 December 2021</b>	<b>9</b>	<b>5,545</b>	<b>-</b>	<b>4</b>	<b>(5,910)</b>	<b>(352)</b>
Loss for the financial year	-	-	-	-	(3,444)	(3,444)
Other comprehensive expense (note 13)	-	-	-	(19)	(3)	(22)
Total comprehensive expense for the year	-	-	-	(19)	(3,447)	(3,466)
Share based payments (note 22)	-	-	-	-	549	549
Capital reorganisation (note 21)	1,843	(5,545)	3,702	-	-	-
Issue of share capital net of costs (note 21)	802	27,638	-	-	-	28,440
Total contributions by owners	2,645	22,093	3,702	-	549	28,989
<b>Balance as at 31 December 2022</b>	<b>2,654</b>	<b>27,638</b>	<b>3,702</b>	<b>(15)</b>	<b>(8,808)</b>	<b>25,171</b>

## Company Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2022

	Called up share capital £'000	Share premium account £'000	Accumulated loss £'000	Total equity £'000
On incorporation	-	-	-	-
Result for the financial period	-	-	-	-
<b>Balance as at 31 December 2021</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Loss for the financial year	-	-	(382)	(382)
Other comprehensive expense (note 13)	-	-	(3)	(3)
Total comprehensive expense for the year	-	-	(385)	(385)
Share based payments (note 22)	-	-	169	169
Issue of share capital net of costs (note 21)	2,654	27,638	-	30,292
Total contributions by owners	2,654	27,638	169	30,461
<b>Balance as at 31 December 2022</b>	<b>2,654</b>	<b>27,638</b>	<b>(216)</b>	<b>30,076</b>



# Consolidated Cash Flow Statement

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 £'000	2021 £'000
<b>Cash flow from operating activities</b>			
Loss for the financial year		(3,444)	(3,317)
<b>Adjustment for:</b>			
Depreciation and amortisation	10,11	249	165
Impairment		-	28
Loss on disposal		5	17
Share based payments	22	(1,416)	1,427
Foreign exchange		(25)	-
Net finance (income) / costs	7	(161)	30
Taxation credit	8	(174)	(148)
<b>Changes in working capital:</b>			
Increase in inventories	15	(281)	(2,074)
Increase in trade and other receivables	16	(2,361)	(837)
Increase in trade and other payables	17	293	2,602
<b>Cash used in operations</b>		<b>(7,315)</b>	(2,107)
Income tax received		143	5
<b>Net cash used in operating activities</b>		<b>(7,172)</b>	(2,102)
<b>Cash flows from investing activities</b>			
Current asset investments made	14	(13,500)	-
Purchase of property, plant and equipment	11	(292)	(319)
Government capital grants received		-	141
Purchase of intangible assets	10	(4,316)	(418)
Purchase of investments	13	(1,500)	-
<b>Net cash used in investing activities</b>		<b>(19,608)</b>	(596)
<b>Cash flows from financing activities</b>			
Issue of share capital (net of costs)	21	28,440	-
Interest received	7	216	7
Related party loan repaid	19	(382)	-
Cash proceeds from financial asset		-	400
Interest paid	7	(55)	(37)
Payment of lease liabilities	19	(129)	(129)
<b>Net cash generated from financing activities</b>		<b>28,090</b>	241
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,310</b>	(2,457)
Cash and cash equivalents at the beginning of the year		480	2,937
<b>Cash and cash equivalents at the end of the year</b>		<b>1,790</b>	480

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

## 1 Summary of significant accounting policies and general information

Clean Power Hydrogen plc is a public company incorporated in the United Kingdom and listed on the Alternative Investment Market ("AIM"). The registered address of the Company is Unit D Parkside Business Park, Spinners Road, Doncaster, England, DN2 4BL. The principal activity of the Company is as a holding company for subsidiaries engaged in the development of a patented method of hydrogen and oxygen production together with the development of a gas separation technique which enables hydrogen to be produced as 'Green Hydrogen' and oxygen to medical grade purity.

The Group financial statements have been prepared in accordance with UK adopted international accounting standards ("IFRS") and in accordance with the requirements of the Companies Act 2006.

The parent company financial statements have been prepared under applicable United Kingdom Accounting Standards (FRS101 'Reduced Disclosure Framework'). The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below.

These policies have been consistently applied to all the years presented, unless otherwise stated.

The financial statements are drawn up in Sterling, the functional currency of the parent company and the Group. The level of rounding for the financial statements is the nearest thousand pounds.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

### Exemptions

FRS 101 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, and the parent company has taken advantage of the following exemptions:

- IAS 7 Statement of cash flows;
- IFRS 7 Financial instruments disclosures;
- IAS 24 Key management remuneration.

### Basis of consolidation and merger accounting

The Company was incorporated on 19 August 2021 with one £0.01 ordinary share and on 1 February 2022, became the Group parent company when it issued 185,267,700 £0.01 ordinary shares in exchange for all the ordinary shares in its subsidiary Clean Power Hydrogen Group ("CPHGL"). In addition, warrants and options over ordinary shares in CPHGL were converted, on equivalent terms, to warrants and options over 26,911,940 shares in the Company. This is considered not to be a business combination within the scope of IFRS3. This is a key judgement, and as a transaction where there was no change in the shareholders or holdings, is accordingly accounted for using merger accounting with no change in the book values of assets and liabilities and no fair value accounting applied.

The consolidated financial statements present the results of the Company and its subsidiaries ("the Group") as if they have always formed a single group. Intercompany transactions and balances between Group companies are therefore eliminated in full. The share capital presented is that of

Clean Power Hydrogen plc with the difference on elimination of CPHGL's capital being shown as a merger reserve.

Subsidiaries are all entities over which the Group has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

## 1 Summary of significant accounting policies (continued)

### Going concern

The Company listed on AIM on 16 February 2022 and raised net proceeds of £27.4m of new equity in order to fund investment in the manufacturing operations, working capital and continuing development work. The Group's forecasts and projections to 31 December 2024 based on the current trends in development and trading and after taking account of the funds currently held, show that the Company and the Group will be able to operate within the level of cash reserves.

The Directors therefore have a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for a period of 12 months from the date of approval of these financial statements and consider the going concern basis to be appropriate.

### Revenue

Revenue comprises income from the sale of equipment for the electrolytic production of clean hydrogen and oxygen and related licencing or consultancy fees.

Equipment revenue is recognised to the extent that the performance obligations, being the agreement to transfer the product is satisfied, which is when the customer obtains control of the equipment. The transfer takes place in accordance with the terms agreed with each customer, either at the point in time the goods are despatched to or received by the customer.

Licence fee income, arising from granting non-exclusive use of the IP to customers, is recognised in full at the point when the related IP is transferred to the customer if the licence is only to use the IP available at that time and is separable from any other performance obligations. It is recognised over the period of the licence when it gives access to development of the IP over that time. Licence income related to the manufacture of equipment by a licensee is recognised when the customer completes manufacture and becomes liable to pay an equipment capacity related fee.

Consultancy fees are recognised over the period the service is delivered.

### Government grants

Government grants are recognised in the statement of comprehensive income on a systematic basis over the periods in which the Group recognises the related costs as an expense for which the grants are intended to compensate as follows:

#### Income based grants

Income based government grants are recognised in other operating income based on the specific terms related to them as follows:

- A grant is recognised in other operating income when the grant proceeds are received (or receivable) provided that the terms of the grant do not impose future performance-related conditions.
- If the terms of a grant do impose performance-related conditions then the grant is only recognised in income when the performance-related conditions are met.
- Any grants that are received before the revenue recognition criteria are met are recognised in the statement of financial position as an other creditor within liabilities.

#### Capital grants

Government grants received relating to tangible and intangible fixed assets are treated as deferred income and released to the income statement over the expected useful lives of the assets concerned.

### Share based payments

The Group operates an equity-settled share-based compensation plan in which the Company receives services from employees as consideration for share options. Warrants have also been issued as part of the compensation for professional services received. The fair value is established at the point of grant using an appropriate pricing model and then the cost is recognised as an expense in administrative expenses in the statement of comprehensive income, together with a corresponding credit directly in equity to retained earnings over the period in which the services are fulfilled. This is when the professional services are received or over the estimated period to vesting in respect of employees. The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest.

The Group also had a long term incentive plan ("LTIP") in place with a bonus payable after 3 years, linked to the Group value and share price. Under the applicable accounting standard this was treated as cash settled although it may, by mutual agreement of employee and employer, have been settled by the issue of equity. The potential value is calculated at each balance sheet date using the estimated share price at that date, and this amount, including any related national insurance, is accrued in liabilities.

### Income tax

Current income tax assets and/or liabilities comprise obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid/due at the reporting date. Current tax is payable on taxable profits, which may differ from profit or loss in the financial statements. Calculation of current tax is based on the tax rates and tax laws that have been enacted or substantively enacted at the reporting period.

Deferred taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

## 1 Summary of significant accounting policies (continued)

### Research and development costs

An internally generated intangible asset arising from development (or the development phase) of an internal project is recognised if, and only if, all of the following have been demonstrated:

- It is technically feasible to complete the development such that it will be available for use, sale or licence;
- There is an intention to complete the development;
- There is an ability to use, sell or licence the resultant asset;
- The method by which probable future economic benefits will be generated is known;
- There are adequate technical, financial and other resources required to complete the development;
- There are reliable measures that can identify the expenditure directly attributable to the project during its development.

The amount recognised is the expenditure incurred from the date when the project first meets the recognition criteria listed above. Expenses capitalised initially consisted of direct and subcontract costs including materials or testing overheads. Attributable employee costs have now been capitalised as the time has been reliably captured and measured in respect of the element spent on specific projects, other research or operational time.

Where the above criteria are not met, research and development expenditure is charged to the income statement in the period in which it is incurred.

Capitalised development costs are initially measured at cost. After initial recognition, they are recognised at cost less any accumulated amortisation and any accumulated impairment losses.

The depreciable amount of a development cost intangible asset with a finite useful life is allocated on a systematic basis over its useful life, currently expected to range from 3 to 6 years. Amortisation begins when the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

The amortisation period and the amortisation method for the assets with a finite useful life is reviewed at least each financial year-end. If the expected useful of the asset is different from previous estimates, the amortisation period is changed accordingly.

### Patent costs

Patent cost assets are initially measured at cost. After initial recognition, they are recognised at cost less any accumulated amortisation and any accumulated impairment losses. The costs are amortised on a straight line basis over a 10 year estimated useful life.

### Software

Software assets are capitalised at the purchase cost. Subsequent to initial recognition it is stated at cost less accumulated amortisation and accumulated impairment. Software is amortised in the Statement of Comprehensive Income on a straight line basis over its estimated useful life of 3 years. These costs are recognised in administrative expenses.

### Property plant and equipment

Property, plant and equipment is recognised as an asset only if it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

An item of property, plant and equipment that qualifies for recognition as an asset is measured at its cost. Cost of an item of property, plant and equipment comprises the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

After recognition, all property, plant and equipment (including plant, computer equipment and fixtures) is carried at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is provided at rates calculated to write down the cost of assets, less estimated residual value, over their expected useful lives on the following basis:

Leasehold improvements	20% straight line
Plant and machinery	20% straight line
Office equipment	33% straight line

The residual value and the useful life of an asset is reviewed at least at each financial year-end and if expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying value of the asset and are recognised in profit or loss.

### Right-of-use assets and leases

Assets and liabilities arising from a lease with a duration of more than one year are initially measured at the present value of the lease payments and payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease or the incremental borrowing rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal, presented as a separate category, and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date less any lease incentives received and any initial direct costs and are presented as a separate category.

Right-of-use assets are generally depreciated over the shorter of the asset’s useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset’s useful life.

Payments associated with short-term leases of equipment and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Associated costs of all leases, such as maintenance, service charges and insurance, are expensed as incurred.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

## 1 Summary of significant accounting policies (continued)

### Impairment of intangible assets and property, plant and equipment

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash flows. As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

All individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An asset or cash-generating unit is impaired when its carrying amount exceed its recoverable amount. The recoverable amount is measured as the higher of fair value less cost of disposal and value in use. The value in use is calculated as being net projected cash flows based on financial forecasts discounted back to present value.

The impairment loss is allocated to reduce the carrying amount of the asset pro-rata on the basis of the carrying amount of each asset in the unit. Assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

### Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and an appropriate proportion of fixed and variable overheads incurred in bringing the inventories to their present location and condition. Net realisable value being the estimated selling price less costs to complete and sell. Where necessary, provision is made to reduce cost to no more than net realisable value having regard to the nature and condition of inventory, as well as its anticipated utilisation and saleability.

### Financial instruments

#### Financial assets

Financial assets are recognised in the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument. These comprise trade and other receivables and cash and cash equivalents.

Financial assets are initially recognised at fair value, which is usually the cost, plus directly attributable transaction costs.

Investments in equity shares of non group companies where there is no significance influence are available for sale and are subsequently measured at fair value through other comprehensive income.

All other financial assets are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. The Group measures loss allowances at an amount equal to lifetime ECL, which will be estimated using past experience of the historical credit losses. Historical loss rates, where applicable, are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers, such as inflation rates. The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

The Group recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost to the extent that these are material. The Group has determined that there is no material impact of ECLs on the financial statements.

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and reward are transferred.

### Financial instruments (continued)

#### Financial liabilities

Financial liabilities include borrowings, lease liabilities, trade and other payables.

Financial liabilities are obligations to pay cash or other financial assets and are recognised in the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument. Financial liabilities are initially recognised at fair value adjusted for any directly attributable transaction costs.

After initial recognition, financial liabilities are measured at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance costs. Discounting is omitted where the effect of discounting is immaterial.

A financial liability is derecognised only when the contractual obligation is extinguished, that is, when the obligation is discharged, cancelled or expires.

#### Current asset investments

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short term, highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value. Deposits of cash with banks that are subject to maturity terms of more than 90 days are presented as current asset investments.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short term, highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value.

#### Foreign currencies

Transactions entered into by the Group in a currency other than the functional currency of sterling are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in the statement of comprehensive income in administrative expenses.

The results of overseas subsidiaries are translated into the Group's presentational currency of sterling weighted average exchange rate for the year. The weighted average exchange rate is used, as it is considered to approximate the actual exchange rates on the date of the transactions. The assets and liabilities of such undertakings are translated at the year-end exchange rate. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income and accumulated in a separate equity reserve.

#### Equity and reserves

Share capital represents the nominal value of shares that have been issued. Share premium represents the excess consideration received over the nominal value of share capital upon the sale of shares, less any incidental costs of issue.

The accumulated loss reserve represents all current and prior period trading losses.

The cumulative currency differences reserve represents translation differences in respect of the net assets of overseas subsidiaries.



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

## 1 Summary of significant accounting policies (continued)

### Standards, amendments and interpretations in issue but not yet effective.

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for accounting periods beginning on or after 1 January 2023 and which the Group has chosen not to adopt early. These include the following standards which may be relevant to the Group:

- Amendment to IAS 1 regarding the classification of liabilities being based on an entity's rights at the end of a reporting period and disclosure in respect of material accounting policies;
- IAS 8 Amendments regarding the definition of accounting estimates;
- IAS 12 Amendments regarding deferred tax on leases which give rise to equal amounts of taxable and deductible temporary differences on recognition;
- IFRS 16 Amendments to clarify how a seller-lessee subsequently measures sale and leaseback transactions

As a result of initial review of the new standards, interpretations and amendments which are not yet effective in these financial statements, none are expected to have a material effect on the Company or Group's future financial statements.

## 2 Critical accounting judgements and estimation uncertainty

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

### Share based payments (note 22)

The Group uses the Black-Scholes option-pricing model where applicable for equity-settled arrangements,

with inputs, in particular volatility, requiring significant judgement in application.

In respect of cash-settled arrangements the value at each balance sheet date involves a critical estimate of the share price, made using the information from new investors subscribing for or purchasing shares at a similar date. Details of assumptions applied are set out in the note.

### Valuation of investments and intercompany loans (notes 12 and 16)

The assessment for impairment of investments and intercompany loans involves the consideration of forecasts in respect of the trading subsidiary in order to judge the likely future realisable amounts. These include estimates of future sales and margins from current knowledge of the technology and the market.

### Intangible assets (note 10)

The capitalisation of development costs is also subject to a degree of judgement in respect of the viability of new technology and know-how, supported by the results of testing, and by forecasts for the overall value and timing of sales which may be impacted by other future factors which could impact the assumptions made.

Amortisation commences once management consider that the asset is in use, i.e. when it is judged to be at a stage capable of application to commercial revenue streams and the cost is amortised over the estimated useful life of the know-how based on the expected life of the technology and related revenue.

## 3 Segmental reporting

IFRS 8, Operating Segments, requires operating segments to be identified on the basis of internal reports that are regularly reviewed by the Group's chief operating decision maker. The chief operating decision maker is considered to be the Executive Directors.

The Group at this stage comprises only one operating segment for the development and sale of equipment for the electrolytic production of clean hydrogen and oxygen. The operating segments are monitored by the chief operating decision maker and strategic decisions are made on the basis of adjusted segment operating results.

All material assets, liabilities, revenues and expenses are located in, or derived in, the United Kingdom with the exception of a net £0.24m in respect of capitalised patent costs and deferred income in the Irish subsidiary of the Group which are denominated in Euros.

All revenue to date arises from one customer, reflecting the stage of development of the Group and commencement of revenue in 2020 in respect of initial test scale equipment and consultancy fees in 2021.

## 4 Operating loss

Expenses by nature	2022 £'000	2021 £'000
Staff related costs	2,105	1,353
Materials and consumables	334	59
Professional and consultancy fees	903	287
Insurance	241	19
Equipment Hire	178	-
Foreign exchange (gain)/loss	(25)	5
Depreciation and amortisation	249	165
Impairments of right-of-use assets	-	28
Loss on disposal of property, plant and equipment	5	17
Other costs	775	237
	4,765	2,170

The operating loss is stated after charging/(crediting):

	2022 £'000	2021 £'000
Government grant income (in other operating income)	-	(42)
<b>Auditor's remuneration</b>		
Audit of the Company's financial statements	35	37
Audit of the subsidiaries	5	-
<b>Exceptional items</b>		
Cash settled LTIP (credit)/expense (note 21)	(1,965)	1,227
Accelerated Share based payments on IPO (note 21)	374	-
IPO related costs	605	108
	(986)	1,335

## 5 Staff costs

Group	2022 £'000	2021 £'000
Wages and salaries	2,133	1,030
Less amounts capitalised to development costs	(357)	-
Social security costs	241	109
Other pension costs	31	14
Share based payments (including exceptional credit/charge)	(1,417)	1,427
Total staff costs	631	2,580

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

## 5 Staff costs (continued)

A net £1,473,000 credit from the above staff costs is included in exceptional costs in the year (2021: £1,227,000 charge).

In addition, £357,000 of staff costs have been capitalised in development costs (2021: £nil).

The monthly average number of staff employed by the Group during the year was 47 with 34 in operations and 13 in management and support roles (2021: 26 with 17 in operations and 9 in management and support).

The Company employed an average of 5 staff in management roles (2021: none) with salaries of £625,000 and social security costs of £83,000 (2021: £nil).

## 6 Directors' emoluments

	2022 £'000	2021 £'000
Remuneration for qualifying services	690	553
Social security costs	-	1
Cash settled Share based payments	-	1,078
Equity settled Share based payments	169	200
	859	1,832

The highest paid director received remuneration of £378,000 and share based payments valued at £169,000 (2021: £nil). Retirement benefits were accruing to no Directors in respect of defined contribution schemes (2021: none).

The full remuneration report is set out on pages 30 to 31. The summary above reflects amounts paid to Directors of the parent company in 2022 by the Company and its subsidiary. The 2021 comparative disclosures are the emoluments earned by the Directors of the subsidiary in the prior year.

Key management remuneration was as follows:

	2022 £'000	2021 £'000
Remuneration for qualifying services	1,050	553
Social security costs	108	54
Cash settled share based payments (see note 21)	(1,727)	1,078
Equity settled share based payments	544	200
	(25)	1,885

## 7 Finance income and expense

	2022 £'000	2021 £'000
Finance income:		
Bank interest receivable	216	7
Finance expense:		
Lease liability financing charges	(55)	(37)

## 8 Income Tax

	2022 £'000	2021 £'000
<b>Current tax</b>		
UK corporation tax	-	-
R&D tax credits in respect of prior periods	174	148
<b>Total tax credit</b>	<b>174</b>	148

### Factors affecting the tax credit for the year

The tax assessed for the year is higher (2021: higher) than the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below:

	2022 £'000	2021 £'000
Loss before taxation	(3,618)	(3,357)
Income tax calculated at the standard rate of corporation tax in the UK of 19% (2021: 19%)	(687)	(638)
Effects of:		
Expenditure not deductible for tax purposes	218	48
LTIP credit not taxed	(373)	-
Enhanced research and development allowances	(123)	(123)
Deferred tax not recognised (see below)	965	713
Adjustments in respect of prior periods	(174)	(148)
<b>Total tax credit for the year</b>	<b>(174)</b>	(148)

Tax credits in respect of research and development expenditure have recognised on receipt to date whilst experience of claims being collated and accepted is gained. The tax rate used for the reconciliation is the corporate tax rate of 19% (2021: 19%) payable by corporate entities in the UK on taxable profits under UK tax law.

In May 2021 an increase to 25% from April 2023 was substantively enacted. The tax rate used to calculate unrecognised deferred tax is therefore 25% at 31 December 2021 and 2022, being the rate at which the timing differences were expected to unwind based on enacted rates at each balance sheet date.

Unrecognised deferred tax asset/(liability) - Group	Tax losses £'000	Capital allowances £'000	Share based payments £'000	Total £'000
At 1 January 2021	384	(35)	140	489
At 31 December 2021	992	(105)	1,105	1,992
<b>At 31 December 2022</b>	<b>3,217</b>	<b>(168)</b>	<b>-</b>	<b>3,049</b>

Deferred tax assets have not been recognised at the year end dates as the utilisation of losses was not yet considered sufficiently probable. This includes amounts related to the exercise of share options in excess of the share based payments charges that, if recognised, would be a credit to equity only.



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

## 9 Earnings per share

	2022	2021
Loss used in calculating earnings per share (£'000)	(3,444)	(3,317)
Weighted average number of shares for basic EPS ('000)	255,321	184,293
Basic and diluted loss per share (pence)	(1.35)	(1.80)

The weighted average is calculated applying the equivalent number of Clean Power Hydrogen plc shares for each year.

There is no dilutive effect on a loss. There are potentially dilutive options in place over 24,625,450 ordinary shares at 31 December 2022.

## 10 Intangible assets

Group	Development costs £'000	Patents £'000	Software £'000	Total £'000
<b>Cost</b>				
At 1 January 2021	656	110	16	782
Additions	404	13	1	418
<b>At 31 December 2021</b>	1,060	123	17	1,200
Additions	4,231	42	43	4,316
Exchange movements	-	6	-	6
Disposals	-	-	(5)	(5)
<b>At 31 December 2022</b>	<b>5,291</b>	<b>171</b>	<b>55</b>	<b>5,517</b>
<b>Accumulated depreciation</b>				
At 1 January 2021	-	1	12	13
Charge for the year	-	6	5	11
<b>At 31 December 2021</b>	-	7	17	24
Charge for the year	-	14	8	22
Disposals	-	-	(5)	(5)
<b>At 31 December 2022</b>	-	21	20	41
<b>Net book amount</b>				
<b>At 31 December 2022</b>	<b>5,291</b>	<b>150</b>	<b>35</b>	<b>5,476</b>
At 31 December 2021	1,060	116	-	1,176
At 1 January 2021	656	109	4	769

The Group has received cumulative grants from UK government research and development initiatives amounting to £334,000 in respect of capitalised development expenditure (2021: £334,000). These grants are deferred within liabilities and amortised in line with depreciation or impairment of the related development asset. Note 1 "Summary of significant accounting policies" sets out the policy and key judgements in relation to impairment of intangible assets.

The development costs relate to the direct expenditure incurred on the Group's membrane free electrolysis technology.

The Company has no intangible fixed assets.

## 11 Property, plant and equipment

Group	Right-of-use property £'000	Leasehold improvements £'000	Plant and machinery £'000	Office equipment £'000	Total £'000
<b>Cost</b>					
At 1 January 2021	136	47	79	31	293
Additions	1,069	59	238	22	1,388
Disposals	-	(46)	-	-	(46)
At 1 January 2022	1,205	60	317	53	1,635
Additions	-	13	205	75	293
Disposals	(136)	-	(9)	(8)	(153)
<b>At 31 December 2022</b>	<b>1,069</b>	<b>73</b>	<b>513</b>	<b>120</b>	<b>1,775</b>
<b>Accumulated depreciation</b>					
At 1 January 2021	78	24	25	12	139
Charge for the year	86	12	40	16	154
Impairment	44	-	-	-	44
Disposals	-	(29)	-	-	(29)
At 1 January 2022	208	7	65	28	308
Charge for the year	136	3	68	20	227
Disposals	(136)	-	(6)	(5)	(147)
<b>At 31 December 2022</b>	<b>208</b>	<b>10</b>	<b>127</b>	<b>43</b>	<b>388</b>
<b>Net book amount</b>					
<b>At 31 December 2022</b>	<b>861</b>	<b>63</b>	<b>386</b>	<b>77</b>	<b>1,387</b>
At 31 December 2021	997	53	252	25	1,327
At 1 January 2021	58	23	54	19	154

The Company has no tangible fixed assets.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

## 12 Investments in subsidiary undertakings

Company	£'000			
Additions	1,853			
Cost and net book value at 31 December 2022 and 2021	1,853			
Principal subsidiary undertakings	Address and country of registration	Principal activity	Class of shares held	% share holding
Clean Power Hydrogen Group Limited*	Unit D, Parkside Business Park, Spinners Road, Doncaster, DN2 4BL, England	Development and sale of electrolyzers	Ordinary	100%
Clean Power Hydrogen Limited	Streamstown House, Streamstown, Co. Westmeath, N91 AY72, Republic of Ireland	Holds intellectual property	Ordinary	100%
Hydrogen United Limited	Unit D, Parkside Business Park, Spinners Road, Doncaster, DN2 4BL, England	Dormant	Ordinary	100%
CPH2 Northern Ireland Limited	5 Willowbank Road, Millbrook Industrial Estate, Larne, Antrim, BT40 2SF, Northern Ireland	Dormant	Ordinary	51%

\*Held directly, all others held indirectly

## 13 Investments held at fair value through other comprehensive income

	£'000
Additions	1,500
Movement in fair value	(3)
Fair value at 31 December 2022	1,497

The Company purchased 1,412,429 ordinary £0.02 shares in ATOME Energy plc, representing 3.9% of its issued share capital. ATOME Energy plc is listed on AIM and is focused on the production, marketing and distribution of green hydrogen and ammonia.

The fair value at 31 December 2022 is measured using the quoted price on the AIM market at that date (a level 1 input using the price from an active market).

## 14 Current asset investments

The cash raised from the IPO has been placed in longer term bank deposits where it is not forecast to be needed in the short term, and in accordance with the IFRS accounting policy, this £13,500,000 of bank deposits is shown in current asset investments.

## 15 Inventories

	31 December 2022 £'000	31 December 2021 £'000
Group and company		
Raw materials and consumables	1,692	9
Work in progress	671	2,073
	2,363	2,082

No impairment of inventory has arisen.

Work in progress represents the costs incurred in the production of machines for confirmed orders received in 2021 and 2022 but not completed at 31 December 2021 and 2022. Refer to the Financial Review on page 14 for explanation on the accounting treatment of build costs for MFE110 electrolyzers.

## 16 Trade and other receivables

	Group		Company	
	31 December 2022 £'000	31 December 2021 £'000	31 December 2022 £'000	31 December 2021 £'000
Current				
Trade receivables	84		-	-
Amounts owed by group undertakings		-	11,666	-
Other receivables	2,053	282	234	-
Tax recoverable	174	143	-	-
Prepayments and accrued income	928	422	172	-
	3,239	847	12,072	-
Non-current				
Other receivables	120	120	-	-

Amounts owed by group undertakings are unsecured, interest free and have no fixed date of repayment.

There has been no significant revenue to 31 December 2022 and there have been no impairment charges nor expected credit loss provisions made, as the credit risk in respect of trade and other receivables is considered low. The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

£475,000 of other receivables and deferred income relates to cash from a customer held in escrow subject to completion of the order.



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

## 17 Trade and other payables

	Group		Company	
	31 December 2022 £'000	31 December 2021 £'000	31 December 2022 £'000	31 December 2021 £'000
<b>Current</b>				
Trade payables	391	376	10	-
Other payables	31	14	-	-
Taxation and social security	182	48	41	-
Loan from a related party	-	382	-	-
Accruals	240	97	41	-
	844	917	92	-
Deferred income	1,858	2,237	-	-
Total	2,702	3,154	92	
<b>Non current liabilities</b>				
Accruals (LTIP Liability)	-	1,965	-	-
Deferred income	641	278	-	-
Total	641	2,243	-	-

£1,802,000 (2021: £2,181,000) of the deferred income is expected to be recognised as revenue in 2023.

The Directors consider that the carrying amount of trade and other payables approximates to their fair values.

## 18 Lease liabilities

Group and company	31 December 2022 £'000	31 December 2021 £'000
Current	121	131
Due in one to two years	128	120
Due in two to five years	433	408
Due in more than five years	176	328
	737	856

The financing charges in respect of right-of-use assets are disclosed in note 5 and the right-of-use-assets and depreciation in note 11. Right-of-use assets and lease liabilities relate principally to property leases discounted at a rate of 6%. The Group leases its main operating premises, typically on a five to eight year lease, subject to periodic rent reviews and potential breaks, with the intention and assumption made in measuring assets and liabilities that the extended period will be utilised. Total cash outflows in respect of leases were £184,000 for the year ended 31 December 2022 (2021: £166,000).

## 19 Financing activities and movements in total borrowings

Group	2022 £'000	2021 £'000
At 1 January	(1,369)	(470)
Cash movements:		
Lease liability payments	129	129
Related party loan repaid	382	-
Interest paid	55	37
Non-cash movements		
Interest accrued	(55)	(37)
Foreign currency movements	-	23
Early notice given on leases	-	18
New lease liabilities	-	(1,069)
At 31 December	(858)	(1,369)
Comprising:		
Lease liabilities	(858)	(987)
Related party loan	-	(382)
	(858)	(1,369)

## 20 Financial instruments and capital management

### Risk management

The Board has overall responsibility for the determination of the Company and the Group's risk management objectives and policies. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's flexibility. All funding requirements and financial risks are managed based on policies and procedures adopted by the Board of Directors. The Group is exposed to financial risks in respect of market, credit and foreign exchange risk.

### Capital management

The Company's and Group's capital comprises all components of equity which includes share capital, share premium and retained earnings. The Company's and Group's objectives when maintaining capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide future returns for shareholders and benefits for other stakeholders, and to provide an adequate return to shareholders by managing technology development, pricing products as revenue commences commensurately with the level of risk.

The capital structure of the Company and Group consists of shareholders equity with all working capital requirements financed from equity and property costs funded by lease agreements.

The Company and Group set the amount of capital it requires in proportion to risk. They manage their capital structure and raise capital in the light of the investment in product development, changes in economic conditions, the ability to finance capital purchases and the risk characteristics of the underlying assets and activity. In its development the Company has raised equity capital and has not utilised borrowings in view of the risks at this stage. Following the AIM listing, the may issue new shares, or sell assets to reduce debt.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

## 19 Financial instruments and capital management (continued)

### Market risks

These arise from the nature and location of the customer markets, competing technology and foreign exchange rate risks.

The Group expects to trade initially primarily within the UK and Irish markets. This is likely to expand to other markets, and accordingly there will be a risk relating to the underlying performance of these markets and their currency risk which will be actively monitored by the Directors.

### Foreign exchange risk

The Company has an Irish subsidiary which funded the initial product development with equity and a related party loan denominated in Euros. It expects to commence trade with overseas customers with the only revenue to date invoiced in sterling. There has therefore been a reduced sensitivity to fluctuations in exchange rates and a 10% movement in Euro exchange rates would impact the statement of financial position by approximately £35,000.

The Group had the following net balances in respect of the Irish subsidiary denominated in foreign currency:

	31 December 2022 £'000	31 December 2021 £'000
Euro denominated	(165)	(337)

### Interest rate risk

Lease liabilities are derived at fixed interest rates and reflect an underlying fixed rental with no current exposure to floating rates.

### Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company and Group is mainly exposed to credit risk from credit sales and attempts to mitigate credit risk by assessing the creditworthiness of customers and closely monitoring payments history.

Credit risk on cash and cash equivalents is considered to be minimal as the counterparties are all substantial banks with high credit ratings.

### Liquidity risk

The maturity of the Group's financial liabilities including trade and other payables, other loans and lease liability total payments with the interest payable is as set out below. Current liabilities were payable on demand or to normal trade credit terms with the exception of lease liabilities which are payable quarterly.

31 December 2022	Up to 1 year £'000	1-2 years £'000	2-5 years £'000	Over 5 years £'000
Trade and other payables	(662)	-	-	-
Lease liabilities	(169)	(169)	(507)	(182)
	(831)	(169)	(507)	(182)

31 December 2021	Up to 1 year £'000	1-2 years £'000	2-5 years £'000	Over 5 years £'000
Trade and other payables	(485)	-	(1,965)	-
Loan from a related party	(382)	-	-	-
Lease liabilities	(131)	(169)	(507)	(352)
	(998)	(169)	(2,472)	(352)

### Classification of financial instruments

All financial assets, except for an investment held at fair value, have been classified as at amortised cost, and all financial liabilities have been classified as other financial liabilities measured at amortised cost.

Financial assets	31 December 2022 £'000	31 December 2021 £'000
At amortised cost		
Trade and other receivables	2,257	126
Cash and cash equivalents	15,290	480
	17,547	606
At fair value		
OCI Investments	1,497	-
Financial liabilities		
At amortised cost		
Trade and other payables	(662)	(2,450)
Loan from a related party	-	(382)
Lease liabilities	(858)	(987)
	(1,520)	(3,819)

## 21 Share capital

The movements in the Company's share capital have been as follows:

	Number of £0.01 shares	Nominal £'000	Share premium £'000
One £1 share issued on incorporation, subdivided into 100 £0.01 shares	100	-	-
Shares issued in exchange for CPHGL shares	185,267,700	1,852	-
Exercise of warrants	2,075,280	21	75
Exercise of options	11,410,220	114	285
Placing shares issued at £0.45 each	66,666,667	667	29,333
Share issue costs	-	-	(2,055)
	265,419,967	2,654	27,638

The issue of shares with a nominal value of £1,852,677 in exchange for the 9,263,385 £0.001 shares in CPHGL with a nominal value of £9,263 and share premium of £5,545,118 results on elimination of the difference in a credit to a merger reserve of £3,701,704 presented as a capital reorganisation in accordance with the merger accounting principles as set out in note 2.

The issue of shares resulted in a share premium of £27,638,000 (net of £2,055,000 of share issue costs incurred).

All £0.001 ordinary shares rank equally with the right to receive dividends and capital distributions.



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

## 22 Share based payments

Warrants and options giving the holder the right to purchase shares at a future date were granted by the subsidiary CPHGL in respect of advisers and employees including Directors with an exceptional amount of £374,000 expensed in the year ended 31 December 2022 as a result of accelerated charges as options vested at the time of listing on AIM (2021: £200,000). The fair values were derived using a Black-Scholes model applying a risk free rate of 1% and volatility of 50%. The vesting period applied was 3 years in respect of all employee options. They were as follows with no options issued or exercised in 2021.

Warrants Date of issue	Number of warrants in CPHGL	Exercise price per share £	Fair value per share £
2017	13,812	0.40	0.138
August 2019	89,952	1.00	0.345

The warrants were exercisable at any time up to a listing or sale of the Group. These were converted into warrants over 276,240 and 1,799,040 parent company shares with exercise prices of £0.02 and £0.05 respectively and exercised in February 2022 when the market value was £0.45 per share.

Options Date of issue	Number of options in CPHGL	Exercise price per share £	Fair value per share £
December 2018	192,745	0.70	0.242
July 2020	240,369	0.70	0.467
September 2020	708,719	0.70	0.467
May 2021	100,000	5.00	1.725

683,114 of the options were exercisable on a listing or sale and 558,719 at any time. These vested and were converted into options over 22,836,660 and 2,000,000 parent company shares with exercise prices of £0.035 and £0.25 respectively and 11,410,220 options were exercised in February 2022 at £0.035 per share when the market value was £0.45 per share.

10,608,980 new options over parent company shares were granted in February 2022 with an exercise price of £0.085 per share and a vesting period to June 2024. 25% are subject only to the vesting period and 75% to revenue targets. The fair value of £0.171 per option was derived using a Black Scholes model with a risk free rate of 1% and volatility of 50%. These result in a charge for the year ended 31 December 2022 of £169,000.

590,030 of new options were granted in November 2022 with an exercise price of £0.318 per share and a 3 year vesting period. The fair value of £0.176 per option was derived using a Black Scholes model with a risk free rate of 3% and volatility of 50%. These result in a charge for the year ended 31 December 2022 of £6,000.

Unexercised options Date of issue	Number of options in the Company	Exercise price per share £	Fair value per share £
February 2022	10,608,980	0.085	0.171
February 2022	11,426,440	0.035	-
February 2022	2,000,000	0.25	-
November 2022	590,030	0.32	0.176

At 31 December 2022 the remaining options had an average estimated remaining vesting period of 0.71 years and an average exercise price of £0.081 per option (31 December 2021: 1.42 years and exercise price equivalent to £0.052 per option).

Movement in number of options and warrants:	Number of options	Number of warrants
At 1 January 2022 re CPHGL shares	1,241,833	103,764
Additional number on conversion into plc	23,594,827	1,971,516
Exercised in the year	(11,410,220)	(2,075,280)
Granted in the year	11,199,010	-
At 31 December 2022	24,625,450	-

In addition, the Company's subsidiary also had an LTIP in place for a director with a cash-settled bonus arrangement payable, linked to the Group value and share price over the 3 year period to September 2023. This was replaced with parent company options with new terms and on cancelling the arrangement resulted in an exceptional credit to income of £1,965,000 and cumulative liability of £nil (2021: exceptional charge of £1,227,000 including the related national insurance costs and a cumulative liability of £1,965,000).

## 23 Capital commitments

Group	2022 £'000	2021 £'000
Future capital expenditure contracted for but not provided for	113	-

## 24 Control and related party transactions

At 31 December 2022, the Company was an ultimate parent company. There is no individual ultimate controlling party.

The key management personnel is considered to be the Directors of the Company and the subsidiaries. Please refer to note 5 for details of key management personnel remuneration.

There have been transactions with Directors and with other entities over which the Directors have control in respect of small interest free loans, outstanding expense balances and amounts owed in respect of consultancy fees charged included in trade and other payables. These are as follows in aggregate:

Year ended 31 December	2022 £'000	2021 £'000
Amounts owed by the Group at the year end	-	11
Consultancy fees charged in year	31	103
Purchases in the year	5	13

On 16 February 2022 Jon Duffy exercised 6,410,220 options, receiving the same number of ordinary shares. Further details of the options issued and exercised is shown within the Remuneration Committee report on pages 30 to 31 .

# Advisors

Company Secretary	City Group plc. 1 Ely Place, London EC1N 6RY
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Registered Number	13574281
Auditors	PKF Littlejohn LLP 15 Westferry Circus, Canary Wharf, London E14 4HD
Solicitors	Browne Jacobson LLP 15th Floor, 6 Bevis Marks, Bury Court, London EC3A 7BA
Nominated Adviser and Broker	Cenkos Securities plc 125 Princes Street, Edinburgh EH2 4AD  6.7.8 Tokenhouse Yard, London EC2R 7AS
Public Relations	Camarco 3rd Floor Cannongate House, 62-64 Cannon Street, London EC4N 6AE
Bankers	National Westminster Bank plc 250 Bishopsgate, London EC2M 4AA
Registrars	Computershare Investor Services plc The Pavilions, Bridgwater Road, Bristol BS13 8AE







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